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# USSR Report

## HUMAN RESOURCES

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LABOR

BATALIN DISCUSSES IMPORTANCE OF COLLECTIVE CONTRACT

Moscow SOTSIALISTICHESKIY TRUD in Russian No 1, Jan 86 pp 6-20

[Article by Yu. Batalin, deputy chairman of USSR Council of Ministers: "The Collective Contract -- An Effective Means of Accelerating Economic Development"]

[Text] Role and Place of Order in the System of Socialist Management

At the April 1985 Plenum of the CPSU Central Committee and at the conference on questions of scientific-technical progress, a strategy was worked out for accelerating the rates of our country's social and economic development. It has been planned to apply more dynamism to the economy, to change it over to a system of intensification, and to guarantee the complete increase in the effectiveness of production on the basis of the comprehensive introduction of the achievements of scientific-technical progress and the mobilization of the economic-organizational and social factors. A conclusion was made concerning the need not simply for movement ahead, but also a true breakthrough along the entire front of scientific-technical progress, and a fundamental turning point in the development of the economy. These goals and the paths for resolving them were rendered in a concrete form and were developed at the October 1985 Plenum of our party's Central Committee and were reflected in the drafts of the new edition of its Program and in the Basic Directions for the the Economic and Social Development of the USSR. "By way of the acceleration of our country's social and economy," Comrade M. S. Gorbachev remarked, "to the achievement of a qualitatively new condition in Soviet society -- that is formula that expresses the essence of our party's present-day course." That course reflects in full measure the yearnings and thoughts of the workers and enjoys nationwide support.

In order to accelerate the rates of social and economic development, it is necessary, as V. I. Lenin noted, to employ new methods of production and labor, one's own methods of involving people in labor and guaranteeing discipline, and to use one's own methods in achieving an increase in productivity. This requires the broad introduction of the forms of labor activity which are organically inherent in our system, and the increasingly complete implementation, in the mechanism of management, of the advantages of socialism.

Within the near future our society will have to resolve a task which is comparable in its historic importance with the first stage of our country's industrialization, which was carried out in the 1930's. By the end of the year 2000 it is planned to double the production potential while achieving its qualitative innovation and to increase labor productivity by a factor of approximately 2.3-2.5. As in the 1930's, the task posed is to achieve a substantial increase in the effectiveness of production and to make complete use of the capabilities for its technical remodeling and the renovation of the material base. For this purpose it is necessary first of all to put into action the reserves that are linked with the human factor, to introduce those forms of the organization of labor and production which, by their effect on the social and economic processes, can be compared with the Stakhanovite movement. It has meant the organization of labor in a new way, the increased efficiency of the technological process, and the better organization of the work place. The Stakhanovite movement has aroused the labor and creative participation of the broad masses of the people and has revealed the spiritual beauty of the man in the new society. Today, in the changed technical-production, economic-organizational, and social conditions, the acceleration of scientific-technical progress, the assimilation of its achievements in production, and the most complete use of the human factor can be guaranteed on the basis of the broad application of collective forms of labor and in particular the contract methods of management. In this regard it is necessary on a broader scale to introduce consolidated, comprehensive brigades operating on a system of cost accountability, and to take bolder steps to extend the contract principles to enterprises as a whole.

The contract represents a form of management that combines the advantages of collective labor with the principles of cost accountability.

It stipulates:

- the final result of the work, clearly established in quantitative and qualitative indicators, and the deadlines for fulfilling that work;
- the allocation of the necessary material resources for the fulfillment of the established assignment;
- the permanent assignment to the collectives of the basic technological equipment, tools, and other basic production assets;
- the granting to the collective of independence in the choice of the specific forms and methods of organizing the work;
- the guaranteed amount of payment of labor for the achievement of the final result, irrespective of the actual labor expenditures or the number of workers;
- the mutual material responsibility of the contract collective and the administration for the fulfillment of the contract terms that are determined either by the contract or by the plant system for planning, accounting, and the payment of incentives.

When organizing the contract collective, one includes in it workers -- piece-workers or persons paid by a time rate -- and, wherever desirable, also engineer-technical workers. All of them actually are changed over to the collective piece-rate form of payment of labor, with which the wage fund for the entire collective is made directly dependent upon the volume, quality, and deadlines of the work to be fulfilled. In other words, in a form that is visible and comprehensible by every worker, one assures the relationship between the wages and the final collective results and the personal labor contribution.

Whereas during the 1930's the acceleration of the growth rates of labor productivity was promoted by the introduction of the individual piece-rate payment of labor, at the present stage the comparable effect can be obtained on the basis of the application of collective piece-rate payment, the broad introduction of contract methods of management. This corresponds in full measure to the present-day tendencies in the development of technology and technological schemes, to the organization of production, and to the logic of the development of productive forces. The application of flexible automated systems, robotics, and rotary lines intensifies the collective nature of labor. Modern technological systems make it a production necessity to establish close interrelationships among the various categories of personnel: the basic workers, adjustment workers, and repair workers for modern complicated equipment, and the engineer-technical workers. Essentially speaking, we are dealing with the formation of labor collectives that are based on labor cooperation of a fundamentally new type.

As everyone knows, collectivism is the absolutely fundamental principle of socialist production relations. But the fact that the contract collective is aimed at the final result, the collective piece-rate payment of labor, and the introduction of the mechanism of material self-interestedness contribute to the reinforcement of collectivism, and herein lies one of the most important advantages of the contract method.

There are all justifications for assuming that by means of the contract, based on social ownership, we will be able more rapidly and more effectively to guarantee the unity of the interests of the worker, the social groups, the enterprises, and the state as a whole. This will lead, in Lenin's expression, to "socialization in deed," which is the basis of the further development of the socialist method of management.

At the April 1985 Plenum of the CPSU Central Committee, special emphasis was made of the need to create that economic mechanism which would make it possible to combat waste and losses, to achieve a fundamental improvement in the use of material and raw-material resources, and thus to guarantee in the long-term period an increase in the national income. For the resolution of this task it is necessary to mobilize all the workers, by introducing the principles of cost accountability.

Cost accountability is based on economic interest, that is, on the one hand, on material responsibility for the use of resources, and, on the other, on self-interestedness in their economical expenditure. Without a doubt, it can be introduced only on the basis of precise norms and the taking into

consideration of the expenditure of raw and other materials and energy and the use of the production fixed assets. The principle of material responsibility and self-interestedness is implemented in the most consistent manner under the conditions of the contract methods of management. It is precisely in contract collectives that there is a precise definition of the final result of the work and it is easier to establish the well-substantiated accounting of the expenditures of all types of resources and to employ the system of material responsibility and incentives for the results of production activity.

Thus, the collective contract is a very important means of changing over sectors, shops, and enterprises as a whole to relations of cost accountability.

The contract as a form of combining collectivism and cost accountability makes it possible to accelerate the indoctrination of a sense that one is the owner of socialist property and to form a fundamentally new type of worker. It should be noted that, by virtue of a number of objective and subjective reasons, the questions of the formation of a thrifty attitude toward the assigned job, and a sense of personal responsibility for the economic results of the enterprise's work as a whole in the previous stages of our country's social and economic development were resolved incompletely. A definite gap was formed between the individual and collective interests, between the concepts of "my" and "our." Frequently the worker had a self-interest in high results of his own labor and the labor of a small group of workers, but, practically speaking, he was not very concerned about the economic results of the activity of the enterprise as a whole. And yet socialism is a system consisting of thrifty owners, and at the present-day stage the task that has been posed as one of the most important ones is the task of accelerating the indoctrination of the sense of being the owner, the person's awareness that he is a participant in the matters of the enterprise and the government as a whole.

Very important distinguishing features of a good owner are initiative and enterprise. It is precisely the contract that opens up a broad field for the manifestation of these qualities within the framework of the planned system of management, and that makes it possible to aim the labor and creative participation toward the fulfillment of assignments that have been established in a centralized manner. When changing over to the contract, there is a considerable intensification of the collective self-interestedness in increasing the volumes of production, and in fulfilling strenuous planned assignments. Under the conditions of the contract, the labor collectives, to use a figurative expression, have a self-interest in running after the work, rather than away from it. Thus, we are dealing with an important means of implementing our party's course, which is aimed at the reinforcement of centralized administration in combination with an increase in the independence, rights, and responsibilities of the enterprises and labor collectives for the results of management.

## Indisputable Advantages

At the present time, contract work methods are being successfully used in many branches of the national economy, and one can already make a conclusion concerning their advantages. As is well known, these methods proved their value long ago in construction. For many years contract collectives have been operating excellently under the leadership of Twice Hero of Socialist Labor N. Zlobin, Heroes of Socialist Labor V. Gutsalov, Yu. Valeyev, M. Koblov, and many others. The high effectiveness of contract methods has been demonstrated by collectives engaged in the construction of pipelines. For example, for the 11th Five-Year Plan the party specified among its main national-economic tasks the accelerated development of the gas industry. That required, within short periods of time, a more than doubling of the volumes of construction of large-diameter pipelines. That task was resolved chiefly by means of the improvement of the organization and payment of labor. The contract principles were taken on as standard equipment and they were used for the large-scale construction subdivision -- the technological production group. A stable wage norm was established per kilometer of pipeline handed over for operation and the right was granted to the collective itself to determine the number and makeup of its workers.

The results surpassed all expectations. It turned out that, instead of 250-300 persons, it was sufficient (and this was decided by the collective) to have 180-200. Whereas on the average in the 10th Five-Year Plan one production group laid approximately 45 kilometers of pipeline a year, after the introduction of the new system the groups that employed it hit the goal of 200 kilometers. Of course, there was also an increase in the wages -- on the average, by 30-50 percent. However, on the whole, the expenditure of wages for the construction of one kilometer of pipeline dropped by 25-30 percent.

Here is another example. The contract sector at the Sibkomplektmontazh Association that is headed by senior work superintendent and brigade leader I. Smirnov, which consists of 150 persons, fulfills an annual volume of construction operations at the level of 3 million rubles. That sector has introduced the system of not using work orders for the payment of labor; the overall amount of the collective earnings is determined on the basis of steady norms derived from the estimated cost of the construction-and-installation operations for the projects that have been activated. In the construction process, advances on earnings are paid, and the final settlement, including the bonuses, is made after the finished project is turned over. This organization of the work promotes the attainment of high labor productivity. On the average the level of labor productivity per person employed in the sector is 2.5-3 times higher than in the associated collections that are constructing similar projects.

Today the contract form of the organization and payment of labor is beginning to be used at the level of the construction-and-installation administrations, the mobile mechanized columns, and the construction trusts as a whole. An example of this is Trust No. 18 and certain other collectives at Glavmosoblstroy. Taking into consideration the high results achieved by the contract collectives, USSR Council of Ministers and AUCCTU in their decree

entitled "Improving the Organization, System of Payment and Incentives for Labor in Construction," advanced the task of the broad dissemination of the method of the brigade and through-operations flow contract, and, as experience is accumulated, changing over to contract forms the collectives in production sectors, and subsequently in more large-scale structural subdivisions.

The collective contract is receiving greater and greater development in agriculture. At the present time its principles are being used in brigades and links that employ 23 percent of the total number of workers on sovkhozes and kolkhoz members. In 1984, contract collectives produced 36 percent of the agricultural output. Their labor productivity in vegetable husbandry is 1.5 times higher, and in animal husbandry 1.8 times higher than in ordinary brigades. In turn, the higher level of labor productivity guaranteed in those collectives a reduction in the expenditures of wages per unit of output. Last year they constituted 23 percent of the value of the agricultural output, whereas in the subdivisions that had not been changed over to the contract system they constituted 42 percent.

Interesting experience in the application of the contract principles has been accumulated on the Put k Kommunizmu Kolkhoz, Altay Kray. That farm has been completely changed over to the collective contract. Every link has had the volume of operations, the value of the material expenditures, and the corresponding wage fund established for it. Settlements among the kolkhoz subdivisions, and also those with Selkhoztekhnika for the fulfilled operations, materials, and services, are carried out on the basis of a check system. Half the economized funds are paid into the wage fund for a particular collective. The expansion of the independence of the labor collectives has made it possible for the kolkhoz to increase labor productivity by 20 percent and to reduce the production costs of agricultural output by 20-40 percent.

In recent years the collective contract has also been used more dynamically in industry. For example, at the Baltiya Shipbuilding Yard (Klaypeda), contract brigades annual achieve an increase in labor activity by an average of 10-14 percent. High achievements were also achieved by brigades at the Lipetsk Machine-Tool Building Plant, the Volgograd Furniture and Woodworking Association, and at a number of other enterprises.

Good results have been achieved by the contract sectors in nonferrous metallurgy.

The effectiveness of the collective contract is high in motor transport. For example, at the Vinnitsa Motor-Vehicle Enterprise of UkrSSR Minpromstroy [Ministry of the Construction Materials Industry] all the truck drivers work according to this method. They are part of brigades that have been permanently assigned to definite projects being constructed. The interrelationships that the brigades have with the enterprise administrators and the organizations being served are regulated by the contract. All the technical-economic indicators of the work plans of the driver collectives are coordinated with the construction workers' plans. The system that is taken as the basis there is "plan to set to account," that is, the work of the driver brigades is organized on the basis of the daily schedules for manning the

consolidated construction brigades, by which provision is made for the deadline for delivery, and the specific types and quantity of freight.

The introduction of the contract has made it possible to improve considerably the services provided to the construction workers, to reduce the transport expenses and losses during the shipment of freight, and to guarantee a saving in the amount of more than 200,000 rubles a year. The annual economic benefit achieved by the motor-vehicle enterprise came to approximately one million rubles. During the period of working by the method of the collective contract, the individual output per driver increased by a factor of 1.5, and wages by 23 percent. The number of violations of discipline by the drivers was reduced to one-seventh of the original number. At the motor-vehicle enterprise as a whole, the personnel turnover rate dropped from 20 percent to 4 percent.

Thus, the advantages of the brigade system are obvious, but, as has been shown by practical life, the directedness of the collectives toward the final results, their material responsibility, and their self-interestedness in achieving them cannot be completely guaranteed at the brigade level. The best opportunities for the technological, and accordingly the economic-organizational independence of the contract collectives can be achieved only at the level of the sectors and shops. In this regard, on the initiative of the Novosibirsk Oblast Committee of the CPSU and the oblast executive committee, USSR Goskomtrud [State Committee for Labor and Social Problems], jointly with AUCCTU and other interested organizations, is carrying out an experiment involving the application of the collective contract in sectors, shops, and other major structural subdivisions of enterprises and organizations in Novosibirsk Oblast.

Since the beginning of 1984, 45 collectives at 15 enterprises and organizations in industry, construction, agriculture, railroad transport, and the personal services sphere have become involved in the experiment. At the present time 55 collectives with a total of more than 5100 persons, including 560 engineer-technical workers, are participating in the experiment. Most of them have achieved high indicators. The rates of increase in the volumes of production and especially the labor productivity in those collectives, as a rule, are 2-2.5 times higher than for the enterprises as a whole. Especially good results have been achieved by the sectors that make the most complete implementation of the contract principles. In 1984 their labor productivity increased by 14.2 percent, and during the first nine months of 1985, by almost 13 percent. It is also necessary to note that the collectives participating in the experiment did not have any special advantages in material-technical supply.

The best indicators in the course of the experiment were achieved by the contract collectives at the Ob and Sorevnovaniye light-industry PO [production associations], the Morskoy Sovkhoz, and the Inskaya station. On production flow line NO. 10 at the Ob Leather Footwear Association in 1984, the volume of production increased by 14.7 percent, and labor productivity increased by 13.2 percent. During the first nine months of 1985, the collective achieved an increase in the volume of production by an additional 12.6 percent. Moreover, labor productivity increased by 24.7 percent, with an increase in the average wages by 9.2 percent. The harvest yield of grain crops in the vegetable-

husbandry contract shop on the Priobskiy Sovkhoz came to 26.5 quintals per hectare, which is 1.5 times more than the average for the rayon. Last year there was a noticeable improvement in the indicators in the contract collectives at the Voskhod Association. For example, in the bread-making shop the labor productivity during the first nine months increased by 14.4 percent.

The introduction of the contract principles has promoted a situation in which certain collectives which previously had been carried among the lagging ones have moved ahead to be among the advanced ones. These include the confectionery shop at the Voskhod Association, the fittings shop at the rural construction combine, and the animal-husbandry shop at the Morskoy Sovkhoz.

#### What is Needed is the Comprehensive Approach

As has been shown by practical life, the greatest benefit from the introduction of contract methods of management can be achieved wherever the questions of the organization of labor, production, administration, the improvement of the economic mechanism, and the activation of the human factor are resolved in a comprehensive manner, by a systems approach. The implementing of this approach has been made possible by the recently adopted decisions of the party and government: the Law Governing Labor Collectives; the decrees governing the changeover to the new methods of management; the introduction of the system of certification and efficiency improvement of work places; the development and increase in the effectiveness of collective forms of organizing and paying labor; the improvement of norm establishment for labor; and a number of other decrees.

The changeover of shops, shops, and subsequently the enterprises as a whole to the contract methods of management requires the carrying out of fundamental changes in the organization of production, the considerable improvement of the services provided to it, the establishment of smooth interrelationships along the entire technological chain, and the introduction of a precise system for providing the contract collectives with raw and other materials, energy, and semifinished articles. In this regard it is necessary gradually to introduce a procedure whereby the application of the contract would be preceded by the certification of work places, and subsequently the certification of technological processes and individual production entities.

On the basis of the results of the certification it is necessary to increase the efficiency of the work places, to improve the organizational and economic interrelationships among the primary labor collectives, and to introduce progressive forms of organizing the production process. It is also necessary to use in full measure the experience of the Volzhsk Automobile Plant imeni 50-letiya SSSR and the Kama Automobile Plant -- in improving the organization of production, the centralization of the auxiliary services of the machine-tool and warehouse management; the experience of the Frezer Plant imeni M. I. Kalinin in Moscow, the Novocherkassk Electric-Locomotive Building Plant, the Svetotekhnika Association in Saransk, and the Leningrad LOMO Association imeni V. I. Lenin -- in introducing a comprehensive system for production control; enterprises in Lvov and Dnepropetrovsk -- in quality control; and the Alma-Ata

Cotton-Fabrics Combine and the Lipetsk Machine-Tool Building Plant --- in organizing highly effective repair production.

The technological, and correspondingly the economic-organizational isolation of the contract collectives frequently requires the changes in the placement of the equipment, the replanning of the production areas, and sometimes also the transformation of the technological process. In a number of instances this requires additional expenditures, but, taking into consideration the fact that the development of the contract is not just the latest in a series of campaigns, but, rather, is a strategic, long-term direction to be taken in our work, it is necessary without any vacillations to make such expenditures, but, obviously, within intelligent limits. The fact of the matter is that in contract collectives it becomes possible to get away from payment on the basis of an individual operation, and to employ consolidated norms and payment rates, to form the collective earnings on the basis of the final result, and thus to convert those earnings into the basic cells for the economic relations at the enterprise.

Thus, the principle of collectivism is guaranteed by a series of technical-technological, organizational, and economic measures, and this promotes the considerable increase in the effectiveness of the work.

The necessary conditions for the broad application of the contract principles of management are created by the decree of the USSR Council of Ministers and the AUCCTU concerning the improvement of norm establishment for labor. That decree stipulates the development and broad application of consolidated norms for the completed series of operations, for the article, unit of agricultural or other output, or stage or object of construction.

In order to increase the objectivity of evaluating the contribution made by everyone to the overall results, to assign the workers correctly, and to elect the most efficient work methods, in certain contract collections, in addition to the application of consolidated comprehensive norms, one retains the accounting of the person's individual output. This is especially important wherever the members of the collective have not yet begun working at the full measure, or where there are substantial differences in the proficiency level of the workers and their attitude toward the job. Frequently the collectives themselves establish the norms which, in their opinion, reflect more accurately the real working conditions. It is important for the initiators of the introduction of individual accounting to be the labor collectives themselves.

The development of contract forms of management to a considerable degree depends upon the skillful use of the indicator of the labor-intensity of the output. Under these conditions it becomes possible to make it a through-type indicator -- for all levels of administration. Moreover, we are dealing not only with technological labor-intensity, but also complete labor-intensity. When establishing its value, it is necessary to rest upon single normative base and to make broad use of modern methods of economic-mathematical modeling and of computer technology. For this purpose it is necessary to orient the systems of automated planning of the technological processes also toward the

planning of the labor processes and the computation of the norms for labor-intensity.

### System of Material Self-Interestedness and Responsibility

A decisive influence upon the effectiveness of the collective contract is exerted by the organization of wages. Thus, when changing over to this method it is very important to introduce uniform principles of organizing the wages for all categories of personnel -- piece-workers, workers paid at a time rate, and ITR [engineer-technical workers]. One has in mind the payment of a rate for the fulfillment of the labor norm, and to use the extra wages to encourage the overfulfillment of that norm, and to use bonuses to provide an incentive for saving all types of resources and for giving material incentives to the advanced workers in production for outstanding work results.

The extension of the contract principles to the larger-scale organizational structures -- sectors, shops, and enterprises as a whole -- requires the further improvement of the process for forming the collective earnings, and the methods of distributing them among the individual workers. As has been shown by the results of the Novosibirsk experiment, at the level of the sectors the norm list that has proven its value is the single norm list for the formation of the wage fund for the contract collective, which is determined on the basis of the progressive norms for labor expenditures, the wage rates of the workers, and the salary rates of the engineer-technical workers.

But at the level of the shops and enterprises it is desirable to employ two norm lists for the formation of the wage fund: a norm list that is separate for the workers and for the engineer-technical workers. At such time the unity of their interests is achieved by the fact that both norm lists are determined for the final result of the work performed by the entire contract collective. This procedure will make it possible in a well-substantiated manner to distribute the collective earnings among the various categories of personnel, and to avoid any unnecessary psychological frictions.

A very important question in the payment of the labor performed by contract collectives lies in the way in which one distributes the collective earnings received in exchange for the final result among its members, so that this will guarantee the correct combination of the collective and personal material self-interestedness in the achievement of high results. As is well known, at the present time this task, in the overwhelming majority of instances, is resolved by organizing the work for a single work order, with payment based on the final results and with the distribution of the earnings in conformity with the coefficient of labor participation. Many workers and administrators in the contract collectives remark that the KTU [coefficient of labor participation -- hereinunder CLP] has a favorable influence upon people's attitude toward labor. When it is correctly employed, there is a noticeable reduction in the losses of working time, an increase in the intensity of labor, and a reinforcing of discipline and mutual aid, and all these factors, in the final analysis, lead to an increase in labor productivity.

At the same time, the workers do not always show the proper adherence to principles in distribution based upon the CLP, and are afraid of offending a comrade or spoiling the relations with him. Therefore, although the form of the distribution of the collective earnings on the basis of the CLP, as a whole, can be evaluated as being good, it is necessary to carry out additional research on a broad scale with regard its practical application.

Experience shows us that in stable collectives that have been working jointly for a prolonged period of time, the individual output, and, correspondingly, the earnings, gradually become equalized. This is explained simply: the basic benefit at the first stage is achieved when the lagging workers pull themselves up to the level of the members of the contract collective who are working well. Under these conditions the chief function of CLP is the maintenance of high technological, production, and labor discipline.

When discussing questions of the further development of the collective forms of the organization of labor at the Kaluga Turbine Plant and other enterprises, doubts were expressed as to whether the brigade can have its own advanced workers, its own "Stakhanovites." If one takes that point of view (which we consider to be incorrect), that means coming to the conclusion that in the contract collectives the conditions for completely implementing the principle "from each according to his capabilities" are not being created.

In order to implement that principle, and to give the advanced workers in production a self-interest in high collective results, one can employ such a form as the base CLP. Forming the basis of its determination is the evaluation of the capabilities of every member of the collective, his contribution to the overall results of the work. This figure is computed as the ratio of the worker's wages and the average wages in the collective. Annually the base CLP can be re-examined with a consideration of the results of, as it were, a competition for the best fulfillment of the particular type of work. The functions and tasks of the workers must be defined in conformity with the annual CLP. We have in mind primarily such a task as the transmittal of advanced experience, work habits, and progressive methods. This must be given the appropriate incentive.

Obviously, there may also be other ways to resolve the problem. But the chief one consists in assuring that the modern Stakhanovites can work in the brigades. All that is necessary is to find the forms to provide incentives for them, to create the conditions by which all the members of the collective can assimilate the experience of the production leaders. In the final analysis this approach will make it possible to orient the collective labor not to the medium level, but to the consistent development of the workers' capabilities, and on that basis the achievement of the highest production indicators.

The greatest complexities when introducing the contract system are linked with the practical application of the systems of material responsibility for the results of the work. At the present time these systems are used at the Ob Association, at the Sibselmash and Elektrosignal plants, and a number of other ones. The material responsibility there is reduced basically to the nonpayment of bonuses to anyone responsible for any losses. We feel that this

practice does not correspond to the present-day requirements made on the methods of management. It is necessary to use more dynamically the right to compensate from the guilty person's earnings any loss that has been incurred by the enterprise, in the amount of up to one-third of that person's average monthly earnings, as is stipulated by the decree of the USSR Council of Ministers and AUCCTU, entitled "Additional Measures for Reinforcing Labor Discipline."

Subsequently, however, in order to introduce cost accountability properly at the enterprise, it is necessary to change over to increasingly complete compensation of the losses, and to transfer the damage to the person who was responsible for it. In this regard a lot of work will have to be done both by science and by practical life.

It would simultaneously be desirable to consider the question of the formation of a special fund to maintain stable operation. The questions of its creation are currently being discussed in a number of labor collectives. One could use as sources for the formation of this fund the money to be expended to pay for overtime operations, as well as the money that is paid out of the material incentive fund in accordance with article "Lump-sum incentive payment to individual workers for the fulfillment of especially important production assignments." This fund could also include some of the money that is being expended today to pay bonuses to engineer-technical workers, and amounts that have become available as a result of the reduction of the earnings of persons responsible for damage that has been incurred.

The money in this fund could be used, first, to pay incentives to the contract collectives for rhythmical, continuous work, and for the high quality of output, and, secondly, for the purpose of compensating the additional labor expenditures that are linked with the overcoming of breaks in the technological chain. The dependence here is simple and obvious: the better the collective works and, correspondingly, the small the amount of compensations that have been paid out of the fund, the more money remains for making incentive payments for continuous work. This will make it possible to use wages more completely as a lever in achieving high final results, with a considerable part of the wage fund (at a number of enterprises, 10-20 percent of the total amount of that fund) beginning to fulfill a more active role in guaranteeing rhythmical operation of production and in improving the quality of the output being produced.

#### System of Intraproduction Management

The introduction of the collective contract and the extension of its principles to larger-scale organizational structures make it possible to resolve the task stipulated in the draft of the new edition of the CPSU Program -- the task of organically combining measures for improving administration from above with the development of collective forms of the organization and providing of incentives for labor from below.

In connection with the development of the collective contract, it has become necessary to reorganize the system of intraproduction management, to put the

vertical and horizontal interrelationships at the enterprise into conformity with the requirements for working in the new way, and to bring the new methods of management down to all the primary labor collectives, to every work place. The chief thing is to put the contract collection in the center of intraplant planning, to make it the basic object of administration. In turn, the final output of that collective (the article, assembly, object of construction, etc.) must become the basic planning-accounting, normative, and payment unit.

It is also to coordinate in the closest manner the introduction of the collective contract with other measures to improve the methods of management. In this regard, one of the central tasks is the introduction of the one-directional through system of planning, accounting, evaluation, providing of material incentives, and responsibility from top to bottom, proceeding from the indicators that have been established for the enterprise as a whole. Thus, the plan for shipments and contracts can be brought down to the level of the brigades, sectors, and shops in the form of assignments based on the products lists for output to be produced within definite time periods. The plan for increase in labor productivity in the form of assignments for the reduction of labor-intensity, and the plan for the reduction of production costs, can be implemented through the establishment of norm lists for the expenditure of material, raw-material, and fuel-and-energy resources, and the production-cost indicators for the completed assemblies, parts, and articles as a whole. With this approach, the contract becomes the basis for the formation of an integral system of intraproduction management, a system that guarantees the coordinated work of all the production subdivisions, their directedness at the final results. The introduction of contract methods makes it possible to increase the stability of the system of intraproduction management against breaks in material-technical supply and against changes in the production program. They also provide the opportunity to readjust the intraproduction ties and interactions, and thus to guarantee the most effective use of the resources and to accelerate the process of assimilation of the new output.

It is necessary already to think about the long-term period, to be completely aware that the further development of the collective contract and the extension of its principles to larger and larger organizational structures -- sectors, shops, and enterprises -- will lead to considerable changes in the forms and methods of administration. The interrelationships between management and the contract collective, and between superior agencies and the enterprise, will no longer be of a chiefly administrative nature, but, instead, economic methods of administration will take on greater and greater importance. In the interrelationships, both along the vertical and along the horizontal, we shall begin to see the introduction of the principle of mutual economic responsibility.

It is very important that the contract, with its rigid regulation of the rights and duties of the contracting parties, serves as a reliable roadblock against petty guardianship and "administration by fiat," and against any manifestations of bureaucratic methods. It protects the labor collectives against the unsubstantiated withdrawal of some of the funds that have been earned by them and the redistribution of those funds for the benefit of the lagging subdivisions and enterprises.

However, unfortunately, despite all these obvious advantages of contract methods, certain managers and specialists do not want to engage seriously in them, or to reorganize the style and methods of their work. This has been hampering the broad application of the collective contract, has been hindering the extension of its principles to large-scale organizational structures, and making it impossible to mobilize completely the economic-organizational and social reserves of production. Decisive steps must be taken to break this attitude to the contract, by using for this purpose all measures of persuasion -- administrative, indoctrinal, and economic. Because the introduction of the contract would be inconceivable without active engineering support, the reorganization of the administrative apparatus, the improvement of the organizational structures, and the major change in the activity of the functional services at the enterprises.

It will also be necessary to increase considerably the competency of the administrative workers, to raise their professional level, and to instill in them the ability independently to make decisions that are based on a thorough knowledge of production and a truly scientific analysis of the state of affairs that has been developing. It must be kept in mind that, under the conditions of the contract, inability to analyze a situation, as well as the taking of a negligent, casual attitude to the job that has been assigned, and, as a consequence, errors in administrative planning will be strictly punished by getting to the guilty person's pocketbook.

One of the central questions in the further development of the new management methods is the written contract itself.

Historically, contract interrelations were regulated by means of the conclusion of a contract between the customer and the contractor for the fulfillment of a definite amount of work. At the present stage, the contract defines the terms for the fulfillment of the operations, the rights of the labor collectives in the area of the organization of labor and production, the total size of the collective remuneration, etc. Simultaneously the contract stipulates the duties of the collective with regard to the qualitative fulfillment of the production assignment and the efficient use of the socialist property that has been entrusted to it, and also stipulates the duties of management with regard to the guaranteeing of the continuous work of the collection; and establishes the procedure for the use of sanctions for failure to observe the contract terms.

However, the question that arises is: is this kind of contract a mandatory attribute of the contract system of organizing and paying labor? Various opinions exist on this score, both among scientific workers and among those in practical life. Some people consider the contract to be not simply one of the elements of the contract system, but its most important distinguishing feature; others deny the necessity of concluding it. In order to resolve this question correctly, it is necessary to consider the essence of the contract. It is an economic-legal form of relations of material self-interestedness and responsibility on the part of the contracting parties. The advantage of the contract is the fact that, while guaranteeing the labor collective its rights, it rigidly regulates their duties, and is a powerful organizing factor.

However, wherever the system of intraproduction planning, accounting, evaluation, material incentives, and responsibility is well organized, that system can successfully assume the functions of the contract. In that instance that system must guarantee material incentives for high achievements and the irreversibility of the responsibility for omissions in work.

Apparently, it would be desirable periodically to reconsider and reapprove the statutes governing the collective contract, to define in them the basic principles and forms of the contract principles as applicable to the specifics of the production situation and its individual subdivisions, to establish the rights and duties of the collectives and management, the functional services, etc. Those statutes should be approved, and the necessary amendments should be made in them, at meetings of the labor collectives. As for the contract itself, it must be concluded at the initial stage, especially at enterprises with a low technical-organizational level. This will guarantee the collectives' psychological assurance concerning the observance of the contract principles in their work, and will increase management's responsibility for the precise fulfillment of the pledges that it has assumed.

#### Acceleration of Scientific-Technical Progress, and the Improvement of the Quality of Output

Contract methods of management guarantee the necessary economic-organizational conditions for the acceleration of scientific-technical progress and the effective and time-responsive introduction of advanced technology and technological processes into production. The changeover to the normative method of the formation of the wage fund, and the guarantee that the collective will be remunerated irrespective of its size upon the completion of the work, create effective material incentives for searching for and introducing advanced technical decision, and encourage inventiveness and efficiency improvement. Thus the favorable prerequisites are forms for the effective use of the productive force of science and advanced experience in order, to put it figuratively, to pursue that experience, our national wealth. Under socialism -- and this is one of its important advantages -- advanced experience is free, it is everyone's property. And the contract methods of management, by encouraging the labor collectives to search persistently for that experience and to introduce it rapidly, make it possible to use that advantage of socialism completely.

It is extremely important that the collective forms of organizing and paying labor with elements of the contract have also proven their effectiveness in a sphere of such decisiveness for the acceleration of scientific-technical progress as experimental-design and technological developments. This is graphically attested to by the results of the Leningrad experiment. The granting of the right to the collectives at design and technological organizations to be in charge of the previously established wage fund, and the changeover of those collectives to collective forms of organizing and paying labor, made it possible to increase the volume and considerably improve the quality of the operations being carried out, while reducing the size of the personnel. Labor productivity in the collectives in the year and a half of the experiment increased by 14-17 percent, and there was also a rise in the

wages. There was also a reduction of almost 7 percent in the materials-intensity and labor-intensity of the output being designed.

The positive experience that was accumulated by the collectives in Leningrad, Moscow, and Ulyanovsk formed the basis of the decree that was recently adopted by USSR Council of Ministers and AUCCTU, entitled "Improving the Payment of the Labor Performed by Scientific Workers, Designers, and Technologists in Industry."

Contract methods of management create a solid economic-organizational basis also for resolving such an important task as improving the quality of output, which, as was emphasized at the conference at CPSU Central Committee on questions of the acceleration of scientific-technical progress, must become an object not only of professional, but also of national pride. Under the contract conditions, when the collective fulfills an entire series of operations to manufacture the final article, technological assembly, object of construction, etc., it is easier to establish effective control over the quality of the output being produced, to introduce the brigade or sector stamp of approval, and to coordinate the payment of the collective's labor with the quality indicators.

A considerable benefit in improving quality can be provided by the skillful use of the mechanism of the mutual economic responsibility of the related contract collectives in the brigades, sectors, and shops which are involved in carrying out the control of the entire technological chain of manufacturing the output. This guarantees the irreversibility of the punishment for reduction in quality. For example, the inclusion as part of the large-scale contract collective of three technologically interrelated brigades at the Sibselmash Plant, with the establishment of payment for the final output, made it possible to eliminate the return of defective articles, which previously had come to 15-20 percent. The indicator of output acceptance at the first presentation has also increased at the Novosibirsk Machine-Tool Building Plant and at the Severyanka Garment Production Association. At the Ob Leather Footwear Association, the return of inferior output by the trade system has been reduced to one-tenth of its previous amount.

#### Social Benefit

Under conditions of the collective contract, especially at the sector and shop level, one sees the overcoming of the narrow framework of the functional and occupational division of labor, the broadening of the capabilities for changing it, and the broad extension of the combining of occupations. This is especially important for persons employed in monotonous operations, in the servicing of specialized machine tools, on flow lines, and assembly conveyor lines.

In the contract collective the workers who previously possessed individual occupations and narrow specialties, and who fulfilled simple, repetitive operations, currently assimilate a broad series of operations, with mutual assistance and interchangeability becoming inseparable features of the collective labor process. There has been a considerable increase in its

content and in the creative principle in labor. Thus, the well-rounded worker is developing at accelerated rates, and the most favorable conditions are being created for the complete development of the individual and for his numerous capabilities. These conclusions are convincingly confirmed by the preliminary results of the Novosibirsk experiment. During the year and a half of that experiment, in the contract collectives there was an increase by more than one-third in the number of workers combining occupations. In many sectors the number of workers who raised their proficiency category doubled during one year alone.

As has been shown by the practical situation for the contract collectives, in addition to the material and psychological incentives, labor itself, its meaningfulness and creative nature, are becoming to a greater and greater degree an important stimulus for highly productive, high-quality work. Therefore, in order to develop the human factor and make effective use of it, primary importance is attached to the creation, on the scale of major contract shops and the enterprise as a whole, of a system of occupational advancement for the cadres, a system that encompasses all categories: workers, engineer-technical workers, and employees. Opportunities must be created for everyone to achieve his occupational growth, to reveal his capabilities in his own collective.

The introduction of the contract in sectors and larger organizational structures creates favorable conditions for the most complete carrying out of the Law Governing Labor Collectives and increasing the role of the workers in administration. The involvement of the broad masses of the people in the administration of production, the resolution of social tasks, is carried out by way of the councils of the contract collectives. Their goal is, on the basis of the development and deepening of democratic principles, to increase substantially the social and economic effectiveness of the work of the collectives. These councils were created in all the subdivisions participating in the Novosibirsk experiment, and one can cite a rather large number of specific examples in which collectives have used the rights granted to them by the Law. For example, at the insistence of the council in Contract Flow Group No. 11 of the Ob Association, the products list that had been established by the plan was reconsidered and the production of a new and more popular model of shoe was assimilated. That was the first time that had occurred in the entire history of the existence of the association. The active participation and self-interestedness that were manifested by the members of the contract collection forced the enterprise services to take a more responsible attitude toward the substantiation of the planned assignments being developed.

Many councils of contract collectives participate actively in the hiring of workers, in transferring them to other work, and in canceling labor contracts. For example, at the Ob, Sibselmash, and certain other associations, the councils give consent for hiring only after there has been a thorough conversation with the person who has newly arrived, and after his occupational qualities and his attitude to the job have been checked.

For the broad introduction of the collective contract in various branches and regions of our country it is necessary to pay special attention to the

providing of organizational and methodological support for this work. In every branch it is necessary to create base enterprises for practicing the contract method of management at various levels. It is important for the ministries and their scientific institutions to render constant assistance to the labor collectives in introducing the contract methods of management, and for them to study, generalize, and disseminate the advanced experience in this field. The greatest benefit is achieved when the branch and regional measures for the introduction of the contract are combined.

Interesting forms and methods of regional administration of this work have been accumulated in Novosibirsk Oblast. On the initiative of the oblast party organization, a special commission has been created there. The commission includes party and Soviet workers, managers of associations and enterprises, and scientists. The commission functions include the coordination of the work to introduce the contract system, the rendering of organizational and methodological assistance to associations and enterprises, the propagandizing of the collective contract in the press, on the radio, and television through the system of party instruction, etc. The experience of the people of Novosibirsk deserves thorough study and dissemination.

The scientific development of the problems of the collective contract does not yet completely correspond to the practical needs. The research, as a rule, is of an empirical, descriptive nature, and records what has already been found, rather than laying new trails. As a rule, these projects are of a branch nature and pertain to construction, agriculture, the timber industry, or the mining industry. In this connection we expect that the problems of the contract system will be dealt with more dynamically by such leading scientific institutions of the USSR Academy of Sciences as the Institute of Economics, the Central Institute of Economic Mathematics, the All-Union Scientific-Research Institute of Systems Research, the Institute of Sociological Research, and a number of others, as well as the institutes in the machine-building branches.

The rise in the effectiveness of scientific research requires the concentration of the efforts of scientists in the chief, leading areas of the development of the contract system. Obviously, they should be aimed primarily at a study of the problems that are linked with the application of the contract methods of management at the level of the shops and especially the enterprises as a whole. We are talking about the search for the most effective methods of forming and distributing the collective earnings in the large-scale structural subdivisions that have been changed over to the contract system; the improvement of the mechanism of the joint economic responsibility among the contract collectives and the management and the functional services; and the contract form of interrelationships between the enterprises and the superior agencies of administration. A large group of questions is linked with more thorough research on the social benefit of the contract work methods, their effect upon the formation of an economical attitude toward socialist property, upon the complete development of the individual, and upon the further development of democratic principles in the administration of production.

Questions that require further research are the questions of the application of contract methods in the sphere of scientific-research and experimental-design developments, and in a number of branches of the nonproduction sphere -- in trade, housing and municipal management, the providing of personal services to the public, etc.

When introducing the contract methods of management, it is necessary to remember that any attempts to dash on too far ahead, as has been shown by experience, are doomed to failure. But something equally inadmissible is excessive delay in carrying out the reforms which are critically needed. Therefore it is necessary to guarantee the creation of various stages in extending the collective contract system to larger-scale organizational structure. As was shown by the Novosibirsk experiment, the high effectiveness of the contract system has been confirmed at the sector level, where, as one can now consider, the necessary organizational and methodological support already exists. In this regard, the time has come for the broad extension of the collective contract in the sectors of all branches and regions of our country. Moreover, it is necessary first of all to introduce it wherever the initiative and self-interestedness in this are manifested by the labor collectives and economic managers themselves. It is necessary simultaneously to continue to work out the contract methods of management at the level of shops and small enterprises.

The collective contract is an effective means of mobilizing the economic-organizational and social factors in the acceleration of the rates of development of our society, and an important element in the system of management at the stage of developed socialism. The broad extension of contract methods of management will promote the implementation of the goals that have been stipulated in the drafts of the new edition of the party's Program and the Basic Directions for the Economic and Social Development of the USSR in 1986-1990 and for the Period Until the Year 2000.

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## LABOR

### BATALIN, OTHERS VIEW NOVOSIBIRSK COLLECTIVE CONTRACT EXPERIMENT

Moscow SOTSIALISTICHESKIY TRUD in Russian No 2, Feb 86 pp 73-85

[Article by S. Artemov and S. Sergeyev: "The Novosibirsk Experiment. Results and Prospects"]

[Text] For two years a number of enterprises and organizations in industry, agriculture, transportation, construction, and the services sphere in Novosibirsk Oblast have been participating in an experiment to test contract methods of management in sections, shops, and other large structural subdivisions.

The preliminary results, as well as the experience gained in using the collective contract system in various parts of the country, and theoretical and practical issues involved in improving this system were discussed at the All-Union Scientific and Practical Conference "Accelerating the Country's Socio-Economic Development and the Collective Contract". Yu. Batalin, chairman of the USSR State Committee for Labor and Social Problems, gave the main report at the conference. (Footnote 1) (An article based on his speech was published in the previous issue.) Participating in the conference were heads of ministries, departments, and enterprises, party, soviet, and trade union workers, and scientists.

The editors of SOTSIALISTICHESKIY TRUD also held a round table discussion attended by members of contract collectives, as well as directors and specialists from enterprises and organizations.

Below is a report summarizing the points of view and suggestions offered by those participating in the conference and round table on the basic problems involved in the development of contract management methods.

#### Intensification of Production and the Collective Contract

Our party has outlined a course aimed at accelerating the country's social and economic development, maximum intensification of production, and increasing production efficiency on the basis of scientific and technical progress. In the 12th Five-Year Plan the rate of growth in efficiency must be stepped up by a large margin, and this five-year plan should be a critical one in all respects. During this period there are plans to increase the growth in national labor productivity by a factor of 1.5: the average annual increase

should not be 3.5 percent, as it was in recent years, but 4.5 percent. The conservation of fuel and raw materials should be increase by at least a factor of 1.5, and consumption norms for finished products should be reduced.

In a speech at the conference, Academician A. Aganbegyan stressed: "In order to reach the planned increase in national production efficiency, there must be major qualitative changes. These changes can be made primarily by relying on scientific and technical progress. Recently an extensive program was adopted for the technical retooling of all sectors of production, for accelerating the development of science, design operations, and so on. But considerable funds are needed to carry out this program. First these funds need to be found, and utilized, and only after some time can one expect the proper effect. This means that in order to step up the rate of growth in production efficiency special efforts need to be made particularly at the beginning of the five-year plan to mobilize organizational, economic, and social reserves and possibilities, especially those tied to the fullest utilization of the human factor. In other words, the top-priority task is to bring about a substantial acceleration of the country's economic and social development by improving the organization of production and labor, tightening discipline and order, and then reinforce and deepen this acceleration by broadening the reach of scientific and technical progress."

Today there is an extensive search for economic forms of management that would provide full mobilization of economic and social reserves for increasing production efficiency. A. Aganbegyan believes that the collective contract is just this type of form, and that it is completely capable of leading to qualitative changes in the intensification of production. This point of view was supported by many of those who spoke at the conference and who attended the round table meeting.

A. Filatov, first secretary of the Novosibirsk Oblast Party Committee, discussed the role of the contract system in accelerating the intensification of national production. He stressed that the majority of subdivisions participating in the experiment are successfully fulfilling the state plan. In these collectives production output rose by an average of 7 percent in a period of 1 year and 9 months, and labor productivity rose by almost 16 percent. The rate of growth in labor productivity here is double the increase in wages. For example, the eleventh flow line of the "Ob" leather and shoe association, which had been lagging behind other units, more than tripled its labor productivity during this period. Labor productivity in the animal husbandry shop at the "Morskoy" sovkhoz rose by 22.6 percent, and expenditures per quintal of milk declined by 23 percent just in 1984. The shop met the the plan for the sale of milk and meat to the state in August 1985.

The collective contract helps solve the important problem of improving product quality. The "Elektrosignal" plant has practically eliminated the return of parts to shops in other enterprises that are working under the contract system; returns of this nature had been numerous in the past. The number of complaints about the work performed at the "Khimchistka" [Dry Cleaning] factory has been cut almost in half.

The experiment is encouraging the conservation of manpower resources. During the course of the experiment the number of workers in contract collectives has declined by 5 percent, while there has been a significant increase in the volume of production output. At the same time, 7.5 percent of the engineering and technical personnel have been freed up. According to estimates by experts, expanding the experiment to the rest of the oblast will make it possible to cut the shortage of manpower resources in half during the current five-year plan.

Senior foremen Z. Biyuzhova, from the "Ob" leather and shoe association, and N. Kornev, from the "Elektrosignal" plant, and A. Dolgov, a worker at the "Elektrosignal" plant, attended the meeting and spoke out energetically in support of the contract system.

Z. Biyuzhova said: "Our contract collective consists of 103 people, including 5 foremen, 2 manufacturing engineers, and 1 pattern maker. All three "old" brigades were retained. The brigade leaders assign workers to their places and organize joint operations. When necessary, auxiliary workers help out. As a result, there has been a decrease in idle time and labor turnover. No one is ever late. If something goes wrong, I go to speak to the person who can help me, I go to the production control supervisor, or the chief mechanic. I don't bother the chief of the shop with questions if I think that I can answer them myself. I believe that the collective contract should be developed."

N. Kornev said: "After graduating from a technical school I was sent to the section that was lagging the farthest behind: the wages were low, the discipline poor, and the turnover high. When they decided to create a brigade, I immediately said that engineering and technical personnel needed to be included. That is what they did. At first we did a lot blindly, not everyone believed right away that this type of brigade could work. But in three months we had worked things out so that all positions were covered, and the plant stopped worrying about us. We fulfilled the five-year plan ahead of schedule. People felt that they were truly masters of their work. There is practically no turnover now."

V. Volkov, deputy chairman of the Novosibirsk Oblast Soviet Executive Committee, noted that the collective contract is particularly important when the shift is made to new wage scale conditions. This process involves mobilization of an enterprise's internal reserves. The Novosibirsk experiment showed the possibilities opened up by the collective contract in this area. When it is introduced in close connection with certification and rationalization of job sites, it makes it possible, in the final analysis, to make use of numerous reserves.

#### The Foundation of Intra-Production Management

Ye. Antosenkov, director of the Labor Scientific Research Institute, said in his speech that the key purpose of the "Novosibirsk experiment" was to provide practical testing of a particular form of intra-production management, under which the entire collective of a subdivision, including engineering and

technical personnel, is united by a common interest and is oriented toward improving final results. Activation of cost accounting and greater responsibility (including financial responsibility) on the part of the contract subdivision with respect to partner enterprises, and on the part of partner enterprises to the contract subdivisions. The rights of the collective have been expanded, and it now has the opportunity to distribute funds that are earned according to the coefficient of labor participation, which is determined taking into account the production services of each worker. The collective can also institute sanctions involving the plant management services.

This organization of economic relations increases the social activity of the workers and engineering and technical personnel. It creates the actual conditions necessary for a sharp increase in the workers' interest in stepping up labor productivity, reducing expenses, and improving product quality. Thus, the collective contract is a complex, in-depth reorganization of the entire system of economic management at the level of an enterprise's basic links.

At the same time, expansion of intra-production cost accounting, inherent in the contract system, requires development of the system of economic sanctions (both horizontally and vertically). This means that there must be an in-depth legal and economic study of the problem. Here is just one important question: who can be the arbiter in a dispute between a contract collective and the manager of an enterprise, or how is one to compensate for a collective's losses that arise as a result of factors outside the enterprise? And in general, what funds should be used, and to what extent, to compensate for the losses of contract collectives? The experiment raised a number of questions of this nature.

Of course, the process of working out and introducing innovations is not a simple one. But as the experience of the Novosibirsk workers clearly showed, it is not just the management apparatus that must be prepared for new conditions, but the lower links of production as well. The principles of the new economic mechanism must be applied in each shop, brigade, and job site, and if not, economic levers are not developed and internal production reserves are not realized.

Professor K. Dzhurabayev, chief of the department of economics and organization of industrial production at the Novosibirsk Electrical Engineering Institute and doctor of economic sciences, stressed this idea when he spoke at the meeting. He noted that this is especially important because participation in a large-scale economic experiment orients enterprises toward acceleration of scientific and technical progress, and the collective contract has become a mechanism that brings the human factor into play. These elements are most evident in an increase in production efficiency based on certification and rationalization of job sites. This used to be limited to separate work zones, but under the conditions of the collective contract there is a reorientation toward complex evaluation of job sites within the framework of the collective labor process. Under these conditions cost accounting is expanded, contract collectives are responsible for equipment and accessories, and as a result they have a greater interest in full utilization of reserves.

From this it follows that today we must identify problems involved in the development of the collective contract system that should be kept in mind when improving the economic mechanism at the macroeconomic level. This is especially important in light of the fact that in the near future the collective contract system is to be extended to most other enterprises. Ye. Antosenkov believes that under these conditions we should be prepared to see that the contract orients sections and shops toward intensive management methods. In particular, we should verify the possibility of forming a wage fund that depends not on production volume (or in these cases not just on volume), but on the extent to which intensive factors of production are realized. For example, taking into account the application of the "Sumy method." Ye. Antosenkov said that he had in mind the practice of awarding bonuses to lower-level managers on the basis of the utilization of production capacities. It seems that the application of this principle for awarding bonuses for subdivisions under the contract system would have a very positive effect.

The focus of the speech given by Professor S. Shkurko, director of the Scientific Center of the All-Union Central Council of Trade Unions and doctor of economic sciences, was the development of a new, more effective system of internal plant management. He believes that there is a pressing need to resolve this important national economic task, on the one hand, because of measures to improve the economic mechanism for management of the economy, and on the other hand, because of the development of the brigade system for organizing labor and wages, and particularly the brigade cost accounting and contract system.

Management methods at the association and enterprise level are now being reoriented toward more complete utilization of the production potential to step up the rate of economic growth. At the same time, management methods at the middle level of management in an association (or enterprise), that is, at the shop and production section level, are changing extremely slowly or not at all. Success in this area can be achieved only when there is a re-examination of the management methods at all levels of management.

S. Shkurko said: "It seems to us that in this connection we should also consider the development of the collective contract in large structural subdivisions. The experience of using this system at Novosibirsk enterprises, and the practical work done at certain enterprises in Moscow Oblast, represent a real course for improving intra-plant management." At the same time, S. Shkurko believes, there are negative aspects involved when only individual structural subdivisions are switched to the collective contract. For example, cost accounting relations set strict limits on the economic rights and responsibilities of contract collectives. Therefore, these collectives are set apart from the rest of the enterprise economically. But in the majority of sectors, an enterprise's final results are the sum of the work performed by all the structural subdivisions whose operations are interdependent.

Under these conditions the economic situation of structural subdivisions often differs. In contract collectives, for example, the wage funds are formed in accordance with norms that establish certain proportions for wage increases based on increases in production volume. In other subdivisions they are formed

as they were in the past, that is, according to a "base," and savings of the fund can always be removed to meet the needs of the association (or enterprise). Practical experience has shown that the average wages in contract structural subdivisions grows significantly more quickly than in noncontract subdivisions.

Other contradictions also arise. For this reason, in principle, improvements in intra-plant management should be carried out in all administrative links of the association (or enterprise), simultaneously or in stages, including the management apparatus.

To go further, collective contract relations require a significant expansion of the management rights of subdivisions, and a simultaneous increase in their economic responsibility for the results of their work. But in addition to all this, the most important requirement for improving intra-plant management should be to ensure the priority of the general collective interest of the association (or enterprise) over the interests of its structural subdivisions. The intra-plant management mechanism, and consequently any contract relations, should be organized in such a way that the general collective interest of the association (or enterprise) can be mediated through a level (link) of intra-plant management. Otherwise the activities of contract collectives can come into conflict with the general goals of production development and improvement. And this means that the higher management links should have the opportunity to make changes in the plans of lower links, even though they are operating under a contract, if this would provide a final economic effect. It would be entirely justified for the administration of an enterprise to have the right to make changes in the products list and assortment of a contract collective even without its consent, without reducing the volume of production on which general wages are dependent. The economic effect at the association (or enterprise) level can be the only criterion for intensification of the economic system on the basis of scientific and technical progress.

The practice of economic claims by a contract collective with respect to partners and the administration must be examined from the position of the priority of the general collective interest.

S. Shkurko noted that an important issue in introducing the collective contract is the degree of economic isolation of structural subdivisions. It should be directly dependent on the specific features of production and its technology. It is one thing when structural subdivisions can act as independent producers of goods, for example, in agriculture, and another thing when subdivisions perform the entire cycle of production of a given product, but at the same time the success of their work depends to a great extent on the quality of services by other subdivisions, as in construction. Often when a structural subdivision has close cooperative ties with other related sectors, it is extremely dependent on ancillary services, as is the case in machine building, and it cannot be considered an isolated unit. In each of these cases there must be specific forms of management. There cannot be standard contract conditions for different sectors and types of production.

The Novosibirsk experiment once again revealed the problems of the principle of planning "from what has been achieved", a principle that still is being applied

but has long been obsolete. This is the opinion of Ye. Stolbunov, sector chief at the West Siberian Branch of the Labor Scientific Research Institute. This type of planning does not provide assurances to contract collectives that their labor will be fairly evaluated, that there will be the proper economic and moral rewards, and consequently, will slow down improvements in the intensity and quality of labor. It does not create incentives for efficient work and for introducing advanced methods and achievements in scientific and technical progress. After all, planning "from what has been achieved" punishes the collective that works creatively. The more it gives today, the harder the plan will be tomorrow. At the same time, other collectives operating under the same conditions but with poorer results, holding back or simply not making satisfactory use of available resources, are assigned less ambitious quotas. They easily exceed these quotas and receive greater rewards.

#### Conditions for Introduction and Development

What is needed for the introduction of the collective contract, so that it flourishes and improves? Here is the opinion of G. Sharova, chief of the Organization of Labor and Wages Department at the "Elektrosignal" plant, on this question. She said: "We have studied this method quite thoroughly, we have travelled a fairly difficult path, and we have become convinced that the viability of the contract collective lies first in its stability. The second condition is all-round methodological training. The third is the preparation of the leader of the contract collective. He should be a good economist, a politician, and an educator. Success depends on the extent to which he himself is a staunch supporter of the new method, and on the extent to which he has become convinced of and understands the goals and purpose of its application under concrete conditions."

V. Volkov noted that the preparatory stage is very labor-intensive. But good preparations and proper organization of the introduction of the contract system are the foundation of success. During this period it is important not only to define the indicators that measure the work of the collective, its composition, and the methods of formation and distribution of collective wages. It is just as important, if not more so, to convince everyone that the new approach to work will make it possible for him to make better use of his abilities, and will ensure greater social justice. A person should make the transition to the new conditions intelligently, circumspectly, firmly convinced that his personal contribution will be evaluated on its merits, and that his interests will be served. This requires extensive economic and psychological preparations for the personnel. Unfortunately, the organizers of the experiment did not have enough time for better preparation and preliminary examination of all these issues. They had to do a great deal, as they say, on the run. Still, before the experiment began they managed to organize a 72-hour program for training specialists from enterprises and leaders of contract collectives.

To summarize the conditions for the successful development of the contract system, in V. Volkov's opinion, these are the inclusion of primary and ancillary workers, managers, and engineering and technical personnel in the collective contract, and bringing their interests together on the basis of the final result of their joint activities; granting the collective independence in determining its size, its composition in terms of professional qualifications

and positions, in selecting work and rest schedules, in the system used to distribute wages, and in revision of labor norms; signing an agreement between the collective and the administration that contains mutual obligations and economic penalties for failure to meet these obligations; the formation of a collective wage fund based on stable norms that decline every year per unit of production output, taking into account final results and expenditure of the fund regardless of the actual number of workers and the average wage level; the creation of a self-government organ--the contract collective council--headed by the chief of the subdivision.

It was these principles that demonstrated their viability in Novosibirsk.

Speaking at the round table meeting, Ye. Shibanov, chief of the economic department of the Novosibirsk Oblast Party Committee, stressed that reorganization of the management mechanism on the basis of collective contract principles required that normative and methodological documents be drawn up, taking into account the specifics of production; establishment of a production planning system; organization of accounting, monitoring, analysis, and evaluation of the work of contract collectives; and identification of methods for the formation and distribution of collective wages. Even this far from complete list provides evidence of the significant volume of operations, and these are ones that are performed first. All this meant that the oblast's scientific forces had to be included in the resolution of these tasks.

Participating in the experiment are the Economics and Organization of Industrial Production Institute under the Siberian Department of the USSR Academy of Sciences, the Siberian Agricultural Economics Institute under the Siberian Department of the USSR Academy of Agricultural Sciences, and the economic departments of five VUZes. The West Siberian Branch of the Labor Scientific Research Institute, which specializes in collective contract problems, was designated as the head scientific institution.

The participation of scientists in the resolution of specific problems made it possible to solve many problems effectively. For example, the experiment at the "Voskhod" baking association got off to a difficult start. There were even suggestions that the experiment be terminated, since people thought that the collective contract would not work when there was no demand to increase production volume and when the number of workers brought in temporarily to meet shift quotas reached 30 percent. But persistence and serious preparations proved the opposite to be true. As a result, the number of temporary workers was cut by more than 50 percent. In the first year of the experiment labor productivity rose by 5.2 percent, and in 9 months of 1985 it increased by 16 percent.

The experiment showed the need for a serious reorganization of enterprises' economic services. They should be capable of "designing" new organizational and economic conditions outlined by the mechanism of the collective contract. Apparently, the educational process in VUZes that train people who set norms and organize labor and production, labor economists, planners, and bookkeepers, should be reorganized as well.

Evaluating the generally positive preliminary results of the experiment, and the immense amount of work performed by all its participants, I. Kirillov, director of the West Siberian Branch of the Labor Scientific Research Institute and candidate of economic sciences, said that we should not close our eyes to the fact that there are many problems involved in the development and dissemination of the collective contract. This is explained to a great extent by the multifaceted nature of the phenomenon, which affects the interests of various categories and groups of workers, and which includes complex organizational, economic, legal, and other problems. The theoretical foundations of the collective contract as an integral part of the system of socio-economic relations have still not been worked out sufficiently. Its place in the structure of the economic mechanism has not been determined. A great deal remains unclear in the contract as it applies to shops, services, departments, and the enterprise as a whole in particular. But there is still no organizational and methodological unity between the intraplant contract and the operation of the entire enterprise. And the lack of coordination, for example, between the methods used to form the wage fund at the enterprise level and at the level of its structural subdivisions with mass dissemination of the collective contract can lead to a discrepancy between the size of the wage fund formed for the entire enterprise and the sum of funds earmarked for its individual subdivisions.

#### More on the Agreement

Many of the meeting's participants tie the formation and achievement of the final result to the existence of an agreement, without which it is difficult to get by at the current stage of development of the contract system. The agreement can establish the final result in quantitative and qualitative terms. And most important, the agreement provides the collective with assurances about guaranteed supply, stability of wage norms, and so on. The very fact that an agreement is signed by the shop administration in the presence of all members of a section's contract collective increases the responsibility of management for fulfillment of its obligations.

Ye. Stolbunov believes that when an agreement is signed, the contract collective and the administration will take a more realistic and responsible approach to mutual obligations, working conditions, the formation of plan quotas, norms for the wage fund labor input, and so on. This will also mean actual participation by the workers in management, a barrier to voluntarism in the formation of plans, control from below and responsibility from above.

A. Borisuk, senior foreman at the "Elektrosignal" plant said: Today the entire collective of a section is involved in establishing its own production possibilities and plan quotas, and participates in the development of wage norms. We act unanimously both in the conclusion of the agreement and in its fulfillment. Our shop chief doesn't have an easy time with us, but I think that actually helps the cause.

V. Kotlyarov, candidate of economic sciences, said that the terms contract and agreement are synonyms in some respects. The issue is not a matter of terminology, but the essence of the given phenomenon. As the Novosibirsk experiment showed, an agreement is an attribute of the collective contract.

But to reduce it just to a particular type of planning and accounting documentation and to a legal category is a considerable oversimplification of the problem and a departure from its political and economic explanation.

Expanding on this idea, he noted that the difference between the contract system in lower-level labor collectives and the contract system at state enterprises (such as construction enterprises) that has been in operation for a long period of time is that this agreement applies to administrative units that are subordinate to another such unit, and not to bodies that have the right of a legal entity. In addition to the administration, the lower-level collective in the form of its representative organ, the council, acts directly as an active party that enjoys equal rights. This is what makes the collective contract a viable entity. There is a real opportunity to place the other contracting party--the higher administrative unit--on the same footing as the lower unit, and to evaluate its economic activities from below. Collectivism, comradely cooperation among managers and workers, shared economic responsibility for the final results of joint, coordinated activities that are needed by society--this is what a contract is today.

G. Sharova said that at the same time, shortcomings in the organization of cost accounting still mean that it is not possible to utilize all the advantages of the contract system. We have been working with contracts for a long time. We have drawn up contracts with collectives, and sometimes we even made the signing of contracts mandatory. But still, contracts are not being used universally. What's the problem? It would seem, after all, that a contract would benefit the contract collective. But before signing a contract, workers carefully analyze the state of affairs in production, especially with respect to material and technical supply. The shortfalls here are one of the main reasons for the cautious approach to contracts taken by the administration. And there are some good reasons for this. For example, in nine months of 1985 contract collectives were forced to stand idle for a considerable amount of time because of interruptions in material and technical supply and the uneven work performed by partner shops. This had an especially bad effect on the assembly shop. We tried to force the services involved to take responsibility for this situation, but no changes have been made yet. It is for this reason that 90 percent of our contracts are just on paper. We also tried to coordinate the contract system with a comprehensive system for the management of contract collectives, but the services and contract collectives still do not have the same economic responsibility. When a certain service is given a "poor" rating, it may not correspond to the losses suffered by the contract collective.

Discussing the role of the contract in the formation and activity of contract collectives, S. Shkurko noted: if it is the beginning stage of this work, then the contract between contract subdivisions and the administration should be mandatory. But consider for a moment that tomorrow everyone will be working under the new system. Should we sign agreements with one another the same way we did in the past? If this is the route we take, there won't be enough paper in the country. And then the question is, why? We need to adopt a fundamentally new document: a statute on intraplant management. It should stipulate forms for material and, if possible, property-based responsibility between structural subdivisions and the management apparatus. And then we will

not reject the plan. But we need to approach it in the way described in the Law on Labor Collectives: an enterprise's plan should be accepted by the labor collective, the collective should approve the plan. Isn't this the legal foundation, based on the statute on intraplant management, that makes it possible later to use all the levers: economic, material, and moral?

Of course, if we achieve this, there will be no contradictions between today's concept of a contract and tomorrow's intraplant management.

The organizers of the round table were interested in the question of combining centralism and independence in managing the work of a contract collective.

"The independence granted to contract production collectives is monitored quite closely," noted A. Kolobov, senior scientific associate at the Economics and Organization of Industrial Production Institute and candidate of economic sciences, "but the main form of control and management here is indirect: the system of norms, prices, and so on. These levers, on the one hand, provide greater independence, and on the other hand, they make it possible to steer economic processes in the right direction."

There are quite a few examples of this type of independence among contract collectives under the conditions of rational and necessary administrative centralism. Here is one of them. In 1985 a contract brigade at the "Morskoy" sovkhoz was assigned the goal of obtaining 6600 tons of potatoes from 600 hectares of land. Weighing their resources, the potato farmers proposed that they would produce the same quantity of potatoes on 500 hectares. They were given permission to do this (although reluctantly). In the fall the collective proved itself right. The gross yield from 500 hectares was 33 percent higher than the yield in 1984 from 600 hectares, and the productivity was 60 percent higher. At the same time, 100 hectares of farm land was made available for other crops, and there was also a significant reduction in the consumption of labor and funds per unit of output.

There are different examples in which independence and initiative were not displayed, but were hindered for various reasons.

A. Krasnov, shop foreman at the "Elektrosignal" plant said: "People could ask me why I didn't sign a contract with a brigade. But what could I do without the support of the enterprise's management? For this same reason it doesn't do any good to talk about cost accounting. Let's say, for instance, that I ask for the delivery of a certain piece of equipment so that we can regulate our own consumption of energy and steam. It is possible that the plant supply section has the same task, but they cannot carry it out. It doesn't matter whether I sign a contract or not--they can't do any better. The most the section collective can do is correct the problems of the plant services."

These are the words of a person who has been directly involved with the introduction of brigades for more than 10 years, including consolidated brigades that are comprised of ancillary workers and engineering and technical personnel, a man who is convinced of the effectiveness of the contract system.

The contract system uncovers sore spots in production relations--this is the uncompromising conclusion one can draw from the Novosibirsk experiment. In the words of A. Krasnov, not every is comfortable with the high demands that stem from the nature of the contract and that are placed on brigade comrades, neighboring workers in the same manufacturing chain, suppliers...And isn't this the reason that managers (at enterprises and in ministries) are sometimes unwilling to take steps to introduce this system?

#### The Worker and the Engineer - And a Single Work Order

How do workers deal with engineering and technical personnel in their collective and how do they split up the wages? How justified is this? Is there pressure from the administration? These questions came up when the conference participants visited enterprises in Novosibirsk.

G. Sharova had this to say: "I believe that judgments of this nature are totally wrong. Even though many people who come to visit us ask these very things. It is impossible that a engineering and technical worker could be superfluous in a contract collective. The development of the contract in general requires engineering operations. The workers have a good understanding of this."

"In late 1983, for example, we organized a contract collective that included one foreman and one process engineer. They had worked for 6 months when a review was made and they were not meeting the plan: it was a new section, the production process was complicated. We asked what was missing. They answered that they needed to merge with the next section in the technological chain that was holding up their work. This request was granted. The merger proved to be useful: labor productivity rose, but the quality remained low. It was decided that process engineers could be of help here. Now there are three engineers in the section. There are no conflicts. There are also no complaints that the process engineers receive higher wages for nothing. A worker would never put a parasite on his own shoulders. He takes a look himself, and if necessary, proves that a given specialist is someone that the contract collective needs."

Those attending the round table also discussed the point of view of P. Muravlev, chief engineer at the "Elektrosignal" plant, who told the conference participants on their visit to the enterprise that some negative factors have appeared in the work of engineering and technical personnel under the contract system. In his opinion, for example, the work of process engineers has not improved. Their primary responsibility is, after all, to work toward the future, to introduce new equipment and technology. He also believes that there have been no improvements here either. On the whole, shop process engineers are interested now in solving current, practical problems since their wages depend directly on this. In addition, they spend a great deal of time right at the job site.

V. Shcherbakova, director of the Novosibirsk Leather and Shoe Association, had this to say:

"Up until recently I was a chief engineer and I am familiar with this sort of attitude. I will cite just one example.

"Almost at the beginning of the experiment there was an interruption in our supply of soles and leather that we needed to manufacture a new model. We had to change the product assortment immediately. By that time a manufacturing engineer and pattern designer had been included in the contract collective. In the past this process would have taken several months, but now, thanks to the inventiveness of the pattern designer and the manufacturing engineer, the first batch of the new shoes came off the assembly line in just 10 days. Thanks to the work of manufacturing engineers under contract conditions the number of shoes returned by commercial enterprises has been cut to almost one-tenth the previous level."

And here are the views of senior foreman L. Borisyuk:

"There are four process engineers working in our section, and some of them have been working there for a long time, even before the introduction of the contract system. I saw everything happen first-hand, so I can compare their work 'before' and 'after.' Before they were limited to simple recording of violations of technological discipline, but now they are concerned about preventing these violations. In the past process engineers were not as interested in improving the workers' skills as they are now. They did not take any practical steps to reduce the labor-intensiveness of production, thinking that this was the foremen's responsibility. Now the search for reserves based on technical measures is one of the main directions in their work. Last year, for example, thanks to suggestions made by process engineers, we were able to double labor productivity in one of our operations. By replacing one material with another, we met the plan for reducing labor-intensiveness for the entire shop. Our process engineers work at the job sites only when they are teaching the workers a new operation."

#### On Wage Forms, Measuring Labor, and a Normative Base

"In the past, specialists and managers were guaranteed a salary under any conditions, no matter how poor their performance was. Now wages depend a great deal on the labor contribution: the smaller the contribution, the less you will receive, and this means that earnings can even drop below the standard salary. It doesn't do any good to put up a front for the collective by pretending to be active: the contract system means that a strict account will be taken of all contributions and offenses, in accordance with the conditions of the experiment." This is the simple and precise summary of the essence of the new wage method offered by A. Chernenko, chief of a livestock shop at the "Morskoy" sovkhoz.

However, behind this simplicity lie quite a few complex theoretical and practical issues. One of the most important of these, which was discussed by the conference participants, is the mechanism used to form wage norms per unit of output.

V. Shulzhenko, candidate of economic sciences, noted: "The calculation of norms takes into account the fact that organizational and technical measures will be carried out during the course of the year that will increase labor productivity. Therefore, the base norm is reduced in accordance with the planned reduction in labor-intensiveness. The complexity of this process lies

in the fact that the norm goes into effect at the beginning of the plan year, and the measures may be carried out in the middle of the year and at the end of the year as well. Therefore, at the beginning of the year there is underpayment with respect to actual labor input, and at the end of the year, there is overpayment, even though for the year as a whole we reach the planned total wages. Sometimes this is viewed as a shortcoming. In order to eliminate it, we try to revise norms over the course of the year in accordance with the measures that are carried out. But in this case the application of the norm becomes more complicated and its important advantages are lost. After all, with a stable norm, the sooner a measure is implemented, the greater the time the collective has to utilize the effects of its implementation."

The question of the stability of plan quotas and wage norms was a special focus of discussions at the meeting. Ye. Stolbunov expressed his views on this matter and said that as a rule, plan indicators for a contract collective's production output for a year and for a five-year plan cannot be stable, nor can wage norms. This is because production processes are changing constantly, along with the products themselves, the raw materials and supplies that are used, and many other factors. Only partial norms and standards for constant production conditions should be stable under any circumstances. What needs to be done then so that a collective can be confident that it is taking the right approach to the formation of plans, combined and complex norms and standards per unit of final output? A clearly defined methodology for revising norms in accordance with changes in production conditions should be developed and established as law.

How should one identify funds that should be included in the wage norm under the collective contract system, and should bonuses be included here?

S. Shkurko said: "I think that the answer here can be very specific. Once you shift to the new management system, take on obligations, sign a contract that lists all the most important indicators, you have entered into new relations: you fulfill all these obligations, and you will receive all your wages. This is how the relations should be organized. Now we say: no, you will receive your base wages according to the norm, and we will give you an extra 5 percent for this, and an extra 10 percent for that. You can hardly think that it is right to try to divide up the bonus into little pieces."

Another matter that has still not been resolved is that under the collective contract system, engineering and technical personnel in a section receive bonuses from the economic incentive fund, and the workers receive bonuses from the wage fund. Today this contradiction creates considerable complications at an enterprise: both in the formation of incentive funds and in computing payments to be made from them.

It is important that the standard formation of the wage fund be extended to all structural subdivisions, including the association's (or enterprise's) management, since its workers should have an interest in the same thing in which the entire collective has an interest. S. Shkurko said: "In this connection we support the suggestion that norms for workers and engineering and technical personnel be separated, and that there be wage fund reserves. After all, no matter how economically sound the system for standard formation of the

wage fund, its normal functioning is possible only when reserves are created for this fund at all levels of production management, and particularly at the association (or enterprise) level.

Constant norms can be applied only when there is production stability and actual conditions correspond to planned conditions, for which the norms were worked out. If production conditions change, then the norms should be adjusted accordingly. Practical experience provides convincing evidence that it is impossible to achieve stable norms, that is, norms that have a constant quantitative expression, since a change in production conditions objectively requires an adjustment of the norms. A decline in interest on the part of collectives in further improvements in work results is not explained by the fact that the norms are revised, but by the fact that they are revised outside of any previously established quantitative proportions between the change in the norms and the indicators describing production. If these quantitative proportions are determined, then the norms can be set for five years and will be long-term norms. This is important in increasing the interest of the collectives.

Many of those participating in the discussion touched on the matter of bonuses. For example, V. Shulzhenko noted that the transition from individual bonuses to collective bonuses, when fulfillment of the plan by the contract collective is the condition for the awarding of bonuses to all workers, sometimes leads to a decline in the wage level even as labor productivity rises. The desire to receive a bonus, and sometimes to retain considerably higher wages that were previously paid for deviations from normal conditions, creates in the workers a desire to fulfill the production quota on their own time. Incentives for work performed with fewer workers also intensifies these motives. All these elements can be factors contributing to an excessive increase in labor intensiveness. We probably need to reject bonuses based on the "fulfillment of the production quota for the volume of output" indicator. V. Shulzhenko believes that the bonus system needs to include special, independent parts that encourage the fulfillment of volume quotas and plans for increasing labor productivity and conservation of material resources. This approach has as already been implemented at a number of enterprises in Novosibirsk.

Are there any problems in the distribution of collective wages between engineering and technical personnel and workers? O. Melnikov, candidate of economic sciences, responded to this question. He said, "We tried to clarify this matter by making a selective survey of members of contract collectives. We did not uncover a single conflict with respect to the coefficient of labor participation established by the engineering and technical personnel. There were other problems that were essentially the same traditional problems found in the collective organization of labor: the criteria used to establish the coefficient of labor participation, calculation of the contribution of individual workers, and so on."

Thus, the primary element that unified those participating in the all-Union conference was the conviction that the collective contract system is an effective instrument for resolving the most important problems at the current stage of the country's social and economic development: it helps step up the rate of economic growth, improve product quality, conserve all types of

resources, and accelerate scientific and technical progress. Use of this system makes it possible to achieve maximum development of initiative and to increase labor and creative activity among huge segments of workers.

At the section level the mechanism for introducing the contract system and the corresponding methodological devices and provisions on the whole are worked out, and extensive use should be made of them. If one considers the dissemination of collective contract principles to shops and enterprises as a whole, there are still a great many unresolved, and sometimes controversial issues and problems here. And this means that the search, and consequently the experiment, must be continued.

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## LABOR

### TIGHTER CONTROL OF WAGE FUNDS BY GOSBANK RECOMMENDED

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[Article by M. I. Volkov, director of the administration of wage controls of the Gosbank board: "Control Over the Expenditure of Wage Funds Under New Management Conditions"]

[Text] The transition, implemented in 1986 by many ministries, departments, associations and enterprises, to new management methods represents an important step on the path toward improving the management of the national economy and toward the comprehensive restructuring of the entire management mechanism oriented in the direction of a decisive transition to the utilization of intensive factors for production development, the acceleration of scientific-technical progress and the fuller satisfaction of society's needs.

An important place in this restructuring belongs to the production link--scientific-production and production associations and enterprises. Under new management conditions the rights and independence of associations and enterprises are increased, and on this basis their responsibility for the end results of work also increases. We foresee a sharp decline in the number of labor and work indicators confirmed from above and the limitation of administration, petty surveillance and unjustified regulation of the management activities of associations and enterprises. A considerable change is taking place in the order for planning the wage fund on the basis of stable norms with the goal of achieving a closer relationship between resources directed into wages and the end results of the work of collectives of associations and enterprises. Their rights to use wage funds in the interest of stimulating growth in labor productivity and of increasing the training of workers are expanding significantly.

At the same time, the extension of broad rights to associations and enterprises as concerns planning and the utilization of resources for wage payments also presupposes, to a significant degree, their increased responsibility for maintaining the proper proportions between growth in labor productivity and growth in wages, which is important for the purpose of strengthening the country's economy and for further improving the well-being of the people.

Under the new management conditions, the tasks that lie before Gosbank institutions as concerns strengthening controls over the economic and efficient utilization by associations and enterprises of wage funds and over the adherence by these associations and enterprises to the ratio between growth in labor productivity and growth in wages foreseen by the plan are extremely important.

This requires that Gosbank institutions significantly raise their level of economic work and improve the quality of reviews of the correctness of wage-fund utilization in associations and enterprises, in the process of which existing shortcomings in the organization of production and labor and excesses in the expenditure of resources for wages and bonuses resulting in the overexpenditure of the wage fund should be more fully exposed, and unused reserves for the economic expenditure of wage resources should also be found. This also requires the achievement in each Gosbank institution of strict adherence to the established order for distributing resources for wages to associations and enterprises which have made a transition to new management methods.

We must discuss separately the questions related to the order for distributing resources for wages to associations and enterprises. Above all we must note that the established order for distributing resources for wages is based totally and completely on new principles for planning the wage fund in associations and enterprises which have made the transition to new management methods.

In a more concrete form these principles are reflected in the Model Resolution on the Formation of a Wage Fund for ministries, departments and associations working under new management conditions, which was first developed and confirmed by USSR Gosplan on 14 October 1985. On the basis of the Model Resolution every ministry and department must develop and confirm a branch Resolution on the Formation of a Wage Fund for Associations and Enterprises. Here if individual changes and additions are made in the branch resolution reflecting the specifics of branch operations, they must be coordinated with USSR Gosplan.

What is the order for planning wage funds under the new management conditions?

First we should note that under the new management conditions the general wage fund for ministries, departments, associations and enterprises is not a confirmable indicator within the state plan of economic and social development. It is estimated in both the five-year as well as the annual plans. Here, according to the established order, in the five-year plan the general wage fund for associations and enterprises is determined by the ministry or department, whereas in annual plans with a breakdown by quarters--directly by associations and enterprises themselves.

The general wage fund draws upon the following: the wage fund of personnel directly engaged in production,<sup>1</sup> calculated according to confirmed norms, the wage fund of personnel not directly engaged in production,<sup>2</sup> including non-staff workers, the wage funds of workers newly introduced into the operations

of enterprises and objects and confirmed in the established order within the state plan of economic and social development. The general wage fund of associations and enterprises also includes deductions in the course of the year from the reserves of ministries and departments as compensation for a supplementary wage fund in case of a temporary deterioration of work indicators during the period of assimilation of new highly effective technology, structural changes in production, decreases in raw materials resources, natural calamities and non-planned equipment stoppages not caused by the associations or enterprises. In this case the supplementary wage fund is earmarked for personnel directly engaged in production without alterations in the norms confirmed for the association or enterprise and is considered separately.

The system for creating wage funds for personnel directly engaged in production requires a special examination. In associations and enterprises the wage fund for this type of personnel is formed on the basis of a basic wage fund and sum total additions or deductions to or from this fund calculated on the basis of norms for each percent (ruble) of growth (decrease) in the volume of production (work) according to an accepted indicator for calculating labor productivity. In some branches the wage fund for personnel directly engaged in production can be formed according to norms for wages per unit production in natural terms or according to the norms for wages per ruble of production accepted for calculating labor productivity.

According to the established order norms are developed as part of control figures and are sent to associations and enterprises in good time, prior to the development of the five-year plan. When the five-year plan is confirmed the norms can be made more precise if necessary. Norms confirmed in the five-year plan are not subject to changes and reconfirmation, i. e. they must be stable throughout the course of the entire five-year plan. This is very important because stable norms raise the interest of labor collectives in improving their management operations.

Thus, at the foundation of the wage fund for personnel directly engaged in production we have the base wage fund. What is the base wage fund and how is it established?

The base wage fund for personnel directly engaged in production is the sum total of the actual wage fund for the base year. When the base wage fund is being determined the initial quantity is the actual computed wages for personnel directly engaged in production for the preceding plan year, plus total unused savings in the wage fund for personnel directly engaged in production or minus the total actual amount that wages exceeded the planned wage fund (absolute overexpenditure), which occurs under conditions in which the plan is not fulfilled as concerns production (work) volume in the course of the entire accounting year. The size of this overexpenditure (absolute overexpenditure) is determined on the basis of data from annual accounts concerning the fulfillment of work plans (in industry, for example, on the basis of data from columns 1 and 2, item 11, of the annual report on fulfillment of the work plan on form number 2 (annual)).

The necessity to subtract total overexpenditures of the plan wage fund for personnel directly engaged in production from actual calculated wages arises out of the fact that under conditions of non-fulfillment of the plan dealing with production (work) volume there should be no absolute overexpenditures in the wage fund at all. The absolute overexpenditure tolerated here attests to overindulgences in utilizing wage resources. If we do not subtract this total from actual calculated wages, the result will be unjustified growth in the base wage fund for the plan year for personnel directly engaged in production.

In addition to this, when determining the base wage fund for the plan year the actual calculated wages for the year preceding the transition to the new management methods decrease by total non-production wage expenditures--at a rate of no less than 50 percent paid out in the form of supplementary payments for deviations from normal work conditions and at a rate of all expenditures for overtime work (with the exception of cases in which this type of work was allowed by special decision of directive organs) and for all payments for all-day shutdowns and all hours of idleness within a shift. From this it follows that associations and enterprises are decreasing the actual calculated wages of personnel directly engaged in production, in the established order, by total non-production wage expenditures just once--during the year of the transition to new management methods.

As for associations and enterprises which participated in the experiment in 1984-1985, for whom non-production wage expenditures were not excluded fully or partially when a determination of the base wage fund was made at the moment of the transition to the economic experiment, they must also exclude such expenditures in the established order when determining the basic wage fund for 1986.

For example, an association was transferred to the economic experiment on 1 January 1985. To determine the basic wage fund for industrial-production personnel for 1985, non-production wage expenditures equaling 40,000 rubles, or 50 percent of the total, were excluded from actual wages calculated for 1984. In 1985 non-production wage expenditures equalled 90,000 rubles, including 30,000 rubles in supplementary payments to pieceworkers in connection with deviations from normal work conditions. In this case when determining the base wage fund for industrial-production personnel for 1986 the association is obligated to additionally exclude non-production wage expenditures equaling no less than 35,000 rubles [(90,000 rubles - 30,000 rubles) + (30,000 rubles x 0.5) - 40,000 rubles] from the actual calculated wage total.

In accordance with the established order, when determining the base wage fund for the plan year enterprises and associations are obliged to decrease actual calculated wages for personnel directly engaged in production by the total supplementary wage fund allocated during the year under review by the ministry (department) from the reserve in connection with the temporary deterioration of work indicators during the period of assimilation of new, highly efficient technology, structural changes in production, a drop in raw-materials resources, natural calamities, non-plan stoppages of equipment for reasons that were not the fault of the association or enterprise (with the exception of totals allocated for the introduction of privileges and merits in

accordance with the decisions of directive organs as well as sums earmarked for payments of a long-term nature).

The necessity to subtract the total supplementary wage fund that draws upon the reserve of the ministry (department) from actual calculated wages is related to the fact that expenditures from this fund are usually of a temporary nature and may not exist at all during the plan year. In the opposite case this would result in an increase in the base wage fund for the plan year.

The base wage fund for the plan year calculated in the aforementioned manner is subject to refinement depending on the pace of growth of labor productivity. Here the Model Resolution on the Formation of the Wage Fund foresees the utilization of one of two variants to preserve the basic wage fund.

One of these variants touches on the fact that the base wage fund is preserved if growth in labor productivity according to the annual plan, calculated as the annual average on the basis of the actual pace of growth in labor productivity during the years that have elapsed since the start of the 12th Five-Year Plan and of the goals concerning growth in labor productivity established in the annual plan for the plan year, exceeds or is equal to the actual average annual pace of growth of labor productivity for 1981-1985. If the pace of growth of labor productivity according to the annual plan will be lower than the actual average annual pace of growth in labor productivity in 1981-1985, then the base wage fund decreases for each point that labor productivity decreases in comparison to the actual average annual pace of growth of labor productivity by an amount equal to the size of the confirmed norm for growth in the wage fund.

Let us examine this using the following example. Let us say that for 1987 a goal of growth in labor productivity of 103.2 percent has been confirmed for an association. In 1986 actual growth in labor productivity equals 103.0 percent. Growth in labor productivity, estimated according to the cumulative results for the 1987 plan, equals 106.3 percent ( $1.032 \times 1.030 = 1.063$ , or 106.3 percent), and the average annual growth pace--103.1 percent. The actual average annual growth pace in labor productivity for 1981-1985 comprises 104.6 percent. The norm for growth in the wage fund per percent of growth (decrease) in production volume has been confirmed at 0.4. For 1987 the base wage fund totals 5,432,600 rubles.

Considering that the average annual growth pace of labor productivity, estimated according to the cumulative results for the 1987 plan, turned out to be lower than the actual average annual pace of growth of labor productivity for 1981-1985 by 1.5 points (104.6-103.1 percent), the base wage fund is subject to decrease by 32,600 rubles ( $5,432,600 \text{ rubles} \times 1.5 \times 0.4 / 100$  and will equal 5,400,000 rubles ( $5,432,600 \text{ rubles} - 32,600 \text{ rubles}$ )).

It is essential to note that for some associations and enterprises which assimilated significant new production capacities in 1981-1985, the ministry (department) can establish the amount of growth in labor productivity at which the base wage fund is preserved at the level of the actual average annual pace

of growth of labor productivity for 1981-1985 throughout the branch or subbranch as a whole.

The other variant has to do with the fact that the base wage fund is preserved if growth in labor productivity according to the annual plan, calculated on the basis of the actual cumulative growth pace since the beginning of the 12th Five-Year Plan and of the confirmed goals relating to the growth of labor productivity for the plan year, exceeds or is equal to the goal for growth in labor productivity confirmed in the five-year plan for the plan year on the basis of cumulative results since the beginning of the 12th Five-Year Plan. If growth in labor productivity according to the annual plan turns out to be lower than the goals established for growth in labor productivity as confirmed in the five-year plan for the plan year according to cumulative results since the beginning of the five-year plan, then the base wage fund drops by each point of this decrease in a quantity equal to the amount of the confirmed norm for growth in the wage fund.

For example, in the 1987 annual plan the association was assigned the task of increasing labor productivity by 103.9 percent. The actual growth pace of labor productivity in 1986 equalled 103.5 percent. Growth in labor productivity for the 1987 plan, calculated according to cumulative results since the beginning of the 12th Five-Year Plan, will equal 107.5 percent ( $1.039 \times 1.035 = 1.075$ , or 107.5 percent). The assigned growth in labor productivity confirmed in the five-year plan for 1987 according to cumulative results since the beginning of the five-year plan is 108.9 percent. The norm for growth in the wage fund for each percent increased production volume has been confirmed at 0.4. The base wage fund for 1987 has been established at 6,000,000 rubles.

Since in the association that we have used as our example growth in labor productivity during the plan year according to cumulative results since the beginning of the five-year plan turned out to be lower by 1.4 points (108.9 - 107.5 percent) than the planned growth in labor productivity as confirmed in the five-year plan for 1987 according to cumulative results since the beginning of the five-year plan, the base wage fund is subject to be decreased by 33,600 rubles ( $6,000,000 \text{ rubles} \times 1.4 \times 0.4 / 100$ ) and will equal 5,966,400 rubles ( $6,000,000 \text{ rubles} - 33,600 \text{ rubles}$ ).

The condition of preserving the base wage fund depending on the pace of growth of labor productivity is established for associations and enterprises by the ministry (department) with the confirmation of plan goals for the five-year plan. The refinement of the base wage fund depending upon the pace of growth of labor productivity is not carried out by enterprises for which goals concerning the growth of labor productivity have not been confirmed in the five-year plan.

The base wage fund for personnel directly engaged in production that is estimated for the plan year according to expected results is refined according to data from annual accounts. The distribution of the annual base wage fund by quarters is carried out independently by associations and enterprises.

After refinements according to the data of the annual report the base wage fund is not subject to alteration. With the distribution of the annual base wage fund by quarters, associations and enterprises must proceed from the requirements of adhering, in each quarter, to economically-grounded relations between growth in labor productivity and growth in the average wage. If in the plan for a particular quarter growth of the average wage forestalls growth in labor productivity then the base wage fund must be established at a level equal to actual computed wages for personnel directly engaged in production for the corresponding quarter of the preceding year minus non-production expenditures in wages in the established order.

It is essential to note that the allocation of a supplementary wage fund has been foreseen in the five-year and annual plans of economic and social development of associations and enterprises which have carried out the introduction and assimilation of new capacities. In the course of the normative period for the assimilation of capacities that are being introduced, the aforementioned fund is taken into consideration separately in the work plan of the association or enterprise and is included in the wage fund for personnel directly engaged in production. In statistical reports according to form addendum number 1 to form number 2-t the wage fund of workers involved in the assimilation of new capacities is reflected separately on line 01.

In determining the base wage fund for personnel directly engaged in production in such enterprises and associations, actual computed wages must be included in the accounts not in the amount presented in the annual report concerning the fulfillment of the work plan on form number 2-t (annual) but in the amount found on line 04 of the report on form addendum number 1 to form number 2-t, i.e. without a consideration of the wage fund of workers involved in the assimilation of new capacities plus total actual computed wages for the year under review for workers involved in the assimilation of new capacities in the section that is not covered by the supplementary allocated wage fund for the plan year that is earmarked for this purpose.

Associations and enterprises for which the normative schedules for the assimilation of new fixed production capacities have expired are not allocated supplementary wage funds for this purpose. In this case the base wage fund is determined in the order established for existing associations and enterprises, i.e. when determining the base wage fund for the plan year actual computed wages must be accepted in the amount found on line 11 of the annual report on the fulfillment of the work plan according to form number 2-t (annual).

It is important to discuss some special characteristics of planning the wage fund for personnel directly engaged in production in ministries and departments, where this fund is created from the base wage fund, which has been established as the sum total of base wage funds of subdepartmental associations and enterprises and in which sum totals for increases (decreases) in this fund, calculated according to confirmed norms for each percent (ruble) of production (work) volume according to an indicator accepted for calculating labor productivity.

Deserving of special attention is the question of what system ministries and departments use to create reserves for the wage fund for personnel directly

engaged in production. The fact is that since the base wage fund for personnel directly engaged in production is created by associations and enterprises themselves and is completely at their disposal, ministries and departments can in this case create reserves in the wage fund of personnel directly engaged in production only by means of total growth in the wage fund of this personnel. For this reason, the norm for growth in the wage fund distributed between associations and enterprises must be lower than the norm confirmed for the ministry or department by that portion which is used to create the reserve wage fund.

For example, a norm of 0.54 for growth in the wage fund has been confirmed for the ministry for each percent of growth in production volume. Growth in production volume in the annual plan has been established at 5 percent. Total base wage funds for personnel directly engaged in production in enterprises and associations subordinate to the ministry equal 2,000 million rubles. Growth in the wage fund for personnel directly engaged in production equals 54 million rubles ( $2,000 \text{ million rubles} \times 5.0 \times 0.54 / 100$ ) according to the established norm. From the aforementioned total growth in the wage fund the ministry has created a reserve of 20 million rubles.

In this case the ministry can distribute the 0.34 norm for growth in the wage fund among subdepartmental associations and enterprises [ $(54 \text{ million rubles} - 20 \text{ million rubles}) \times 100 / 2,000 \text{ million rubles} \times 5$ ].

It is essential to note that ministries and departments which have not foreseen, for one reason or another, growth in production (work) volume during the plan year cannot create a reserve in the wage fund for personnel directly engaged in production since in this case there is no increase in the wage fund for this type of personnel, which is used to form a reserve wage fund.

The ministry's (department's) general reserve includes, in addition to the wage fund for personnel directly engaged in production, a reserve wage fund for personnel not directly engaged in production, created in the established order, and the unused remainder of the reserve at the end of the year under review.

Moreover, as foreseen by the Model Resolution on the Formation of the Wage Fund, ministries (departments) also include in the general reserve sums of supplementary wage funds allocated to associations and enterprises in the year under review in connection with the temporary deterioration of work indicators during the period of assimilation of new, highly efficient technology, structural changes in production, a decrease in raw-materials resources, natural calamities, non-planned stoppages of equipment which are not the fault of the associations and enterprises and which were not taken into consideration by them in the established order in the base wage fund for personnel directly engaged in production for the plan year.

In accordance with the established order, control over the utilization of the wage fund by associations and enterprises which operate under new management conditions is carried out by Gosbank institutions on a quarterly basis. When implementing such controls it is very important to achieve the correct determination of the size of resources due to associations and enterprises

during each quarter for the purpose of wages for personnel directly engaged in production.

The amounts of these resources are determined on the basis of the base wage fund established for the quarter and of its increase (decrease), calculated according to confirmed norms per percent (ruble) of actual increase (decrease) in the volume of production (work) according to an indicator accepted for calculating labor productivity.

It is important to note that with such a system the size of resources directed into the reimbursement of labor is directly tied to the results of work of association and enterprise collectives. The greater the growth in production (work) volume during the accounting period, the more resources will be available for the disposal of these collectives in the form of wages. And vice versa, if a decrease in the volume of production (work) is tolerated during the accounting period as compared to the corresponding period of the preceding year, there will be a corresponding decrease in the quantity of resources available for wages.

Let us examine this using the following example. Let us say that an association has planned for a basic wage fund of 1,500,000 rubles during the first quarter. Actual growth in production volume during this quarter equals 5 percent. The norm for growth in the wage fund was confirmed at 0.4 per percent growth in production volume.

In this case the sum, within the limits of which resources for wages for personnel directly engaged in production which can be received by the association will increase by 30,000 rubles, ( $1,500,000$  rubles  $\times$  5  $\times$  0.4 / 100) and will equal 1,530,000 rubles ( $1,500,000$  rubles + 30,000 rubles).

But if the association that we are using as an example allows a 4 percent drop in production volume instead of achieving planned growth, then the size of the resources due for wages will decrease by 24,000 rubles ( $1,500,000$  rubles  $\times$  4  $\times$  0.4 / 100) and will equal 1,476,000 rubles ( $1,500,000$  rubles - 24,000 rubles).

The amount due for wages is calculated in a similar manner in associations and enterprises for which a norm for growth in the wage fund per ruble of actual growth (decrease) in production volume has been confirmed. For example, the association plans a total of 2,000 rubles for the base wage fund in the first quarter. Actual production growth equals 500,000 rubles. The norm for growth in the wage fund per ruble growth in production has been confirmed at 15 kopecks.

In this case the amount due for wages for personnel directly engaged in production will increase by 75,000 rubles ( $500,000 \times 15$  kopecks / 100) and will comprise 2,075,000 rubles ( $2,000,000$  rubles + 75,000 rubles).

The Model Resolution on the Formation of the Wage Fund foresees that the quantity of resources due to associations and enterprises for wages for personnel directly engaged in production is made more precise according to annual work results. This type of clarification is carried out during the allocation of resources for wages during the fourth quarter only in

associations and enterprises in which in accordance with the branch resolution on the formation of the wage fund the annual base fund of wages for personnel directly engaged in production is subject to a decrease in the established order in connection with decreases in actual growth of labor productivity in the year under review.

Let us look at our example. Let us say that for 1987 a growth of 103.2 percent in labor productivity has been confirmed for the association. Actual growth in labor productivity equals 103 percent in 1986.

The average annual pace of growth in labor productivity in 1987, calculated on the basis of actual growth in labor productivity for 1986 and the confirmed goal for 1987, is 103.1 percent. Actual average annual growth in labor productivity for 1986-1987 equals 102.1 percent. Actual average annual growth in labor productivity for 1981-1985 equals 104.6 percent. The norm for the growth in wages per percent increase (decrease) in the volume of production has been confirmed at 0.4. The base wage fund for 1987 has been established at a total of 5,400,000 rubles. Actual growth in the volume of production output for 1987 equals 103 percent. Total resources due for wages for personnel directly engaged in production during the first, second and third quarters, with a consideration of supplementary wage allocations in the established order for this personnel (according to data from reports about calculated and due wages) comprises 4,100,000 rubles.

In this case a total of about 1,342,900 rubles, as we can see from the following calculations, can be allocated for the fourth quarter to the association for wages for personnel directly engaged in production. First and foremost, the annual base wage fund decreases for each point drop in actual average annual growth pace in labor productivity for 1986-1987 (102.1 percent) as compared to the actual average annual pace of growth of labor productivity in 1981-1985 (104.6 percent), keeping in mind that a drop of 1.5 points (104.6 percent - 103.1 percent) was foreseen in the plan. In connection with this the base wage fund was already decreased when it was estimated at the beginning of the year. With a consideration of this decrease, the base wage fund will equal 5,378,400 rubles ( $5,400,000 \text{ rubles} - [5,400,000 \text{ rubles} \times 1 \times 0.4 / 100]$ ). Then, in connection with a drop in the actual pace of growth of labor productivity, the more precise total base wage fund is increased on the basis of a 3 percent growth in production volume in 1987. With a consideration of this, the total due for wages in 1987 as a whole equals 5,442,900 rubles ( $5,378,400 \text{ rubles} + [5,378,400 \times 3 \times 0.4 / 100]$ ). Excluded from the aforementioned total is the total due for wages for personnel directly engaged in production for the first, second and third quarters, which will equal the sum within the limits of which resources can be allocated for the association for wages for the fourth quarter of 1987 ( $5,442,900 \text{ rubles} - 4,100,000 \text{ rubles} = 1,342,900 \text{ rubles}$ ).

Whereas on the whole for the accounting year a decrease in the volume of production (work) has been tolerated in comparison with the preceding year, the amount due for the wage fund of personnel directly engaged in production for the year is determined on the basis of the annual base wage fund minus the sum that corresponds to a drop in the volume of production (work) calculated according to the confirmed norm for growth in the wage fund. Let us assume

that in the association that we have used as our example instead of growth there is a 2 percent drop in production volume. In this case total resources due for wages for 1987 as a whole will equal 5,335,400 rubles (5,378,400 rubles - [5,378,400 rubles x 2 x 0.4 / 100]), and in the fourth quarter-- 1,235,400 rubles (5,335,400 rubles - 4,100,000 rubles).

The associations and enterprises in which the quantity of resources due for wages for personnel directly engaged in production is subject in the established order to refinement according to the results of their work for the year as a whole must supply the bank with the corresponding estimates for the quantity of resources due for wages for personnel directly engaged in production for the fourth quarter at the same time that they submit the report on the recorded and estimated wages for the fourth quarter. This report is not submitted if the annual base wage fund for personnel directly engaged in production of an association or enterprise is not subject to additional decreases in the established order.

At the beginning of each year associations and enterprises must report in the established order to the Gosbank institutions that service them on the corresponding data about plan indicators for production and labor for the entire year with a breakdown by quarters. This is necessary in order to implement controls while allocating resources for wages. Among other indicators, the size of the base wage fund for personnel involved in basic operations must also be reported. Here it is essential to keep in mind that Gosbank institutions are not given the responsibility of checking on whether associations and enterprises have determined the base wage fund for the plan year correctly since this is not within the competency of Gosbank. Gosbank is also not given the responsibility of making sure that associations and enterprises are adhering to the conditions for preserving the base wage fund with regard to the growth pace of labor productivity. Control over this must be carried out by higher organs of economic management.

Nevertheless, in the process of analysis Gosbank organs can in some cases check out whether associations and enterprises have properly determined the base wage fund for the plan year and whether they have adhered to the conditions for preserving it. If an examination reveals instances of padded base wage funds, the association or enterprise must be asked to provide the bank with a more precise figure on the size of this fund for the year and with a quarterly breakdown. At the same time the quantity of resources due for wages must be recalculated and funds that were received in excess must be withheld in the established order. Withheld sums connected with a coverup of overconsumption in the wage fund can be released by the Gosbank institution later only with the approval of the higher organ of economic management in the order established for covering overexpenditures in the wage fund and under conditions of taking measures against individuals guilty of providing the bank with incorrect figures.

In associations and enterprises which have adapted the new management methods the existing system of work organization in Gosbank institutions remains basically unchanged as concerns control over the expenditure of the wage fund. However, here a consideration must be made of the special characteristics

arising from a principally-new system for planning the wage fund and for controlling its expenditure.

In particular, since under the new management conditions the wage fund is not confirmed in the plan of economic and social development according to the basic type of operation and is created on a local basis by associations and enterprises themselves, it becomes unnecessary to submit quotes of limits on wage funds confirmed for enterprises and associations to Gosbank. In connection with this it is no longer necessary for credit administrations of the Gosbank Administration and for Gosbank bureaus to receive reports from ministries, departments and other organs of economic management on wage funds confirmed for them and on the distribution of these funds among subdepartmental associations and enterprises. Here it is important to emphasize that while Gosbank institutions are examining other indicators on production and labor they should, in the established order, more carefully compare data submitted by associations and enterprises regarding norms for growth in wage funds for personnel directly engaged in production per percent (ruble) growth (decrease) in production (work) volume and in wage funds for personnel not directly engaged in production and for workers engaged in the assimilation of new capacities against corresponding documents from the higher organization concerning the confirmation of these norms and wage funds. This type of collation has as its goal the complete exclusion of possible instances in which inauthentic wage figures are submitted to the bank.

Under the new management conditions there should be a differentiated approach to dealing with the problems of putting under monthly controls those associations and enterprises which systematically tolerate an overexpenditure of the wage fund and which do not replace these funds in a timely manner. In our opinion, it would be expedient to hold back from monthly control the associations and enterprises which, in accordance with existing laws, are subject to reimburse the allowed overexpenditures in the wage fund within a year from the time the overexpenditure is incurred.

In industrial associations and enterprises which have changed over to the new management methods and for which the plan confirms a norm for growth in the wage fund for industrial-production personnel per percent of growth (decrease) in production volume, we do not foresee the use of norms (coefficients) for recalculating the plan wage fund per percent of overfulfillment (underfulfillment) of the plan on production volume. In connection with this the measure of influence in the form of up to a 50 percent decrease in the aforementioned norms (coefficients), which is applied to industrial associations and enterprises which overfulfill plans dealing with the volume of production output by means of attracting an above-plan number of industrial-production personnel and which thereby do not fulfill the established goal of growth in labor productivity, is eliminated.

In accordance with the resolution of the CPSU Central Committee and USSR Council of Ministers of 12 July 1985, Number 664, "On the Extensive Distribution of New Management Methods and on Strengthening their Effect on Accelerating Scientific-Technical Progress," the relationship between growth in labor productivity and growth in average wages is established in plans for industrial ministries and production associations and enterprises working

according to new management conditions. Control over adherence to these norms by production associations and enterprises must be implemented by Gosbank institutions according to a common system, as foreseen by the corresponding directives of the Gosbank administration.

Gosbank systematically analyzed the results of the expenditure of wage funds in enterprises in a group of ministries working under the conditions of the economic experiment. It can be said that the overwhelming majority of enterprises within these ministries utilized their wage resources strictly in accordance with the established funds and did not tolerate overexpenditures. In 1984 as a whole in the five ministries working under the conditions of the economic experiment since early 1984 the general wage fund was utilized with a savings of 1.6 percent of the plan fund. This included a 0.7 percent savings of the planned fund for industrial-production personnel. There has been a savings in the wage fund during 9 months of 1985 as well.

Nevertheless, as attested to by the materials of an analysis conducted by the bank, a large portion of this savings is not an achievement of the enterprise but the result of an elevated base wage fund thanks to bonuses foreseen directly by the conditions of the experiment themselves. We know that in establishing a base wage fund enterprises had the opportunity under the experiment's conditions not only to exclude sums for tolerated non-production expenditures in wages from actual calculated wages in the preceding year, which were used as the basis for forming this fund, but also to increase it by the unused total savings in the wage fund as of the year's end.

The incentive system of giving enterprises resources for wages under conditions of decreasing production volume for a particular quarter and for the year as a whole as compared to the corresponding period of the previous year had an unfavorable effect on the economic expenditure of the wage fund. It was established that in this case resources for wages were allocated to enterprises within the limits of the base wage fund without deductions in connection with a decrease in actual production volume. In connection with this, the size of resources due to enterprises for wages was obviously elevated and was not placed in direct relationship to end work results.

There were cases in which enterprises utilized the savings from the wage fund for increases and supplements to wage rates and salary scales of workers without considering the necessity to adhere to proper proportions between growth in labor productivity and growth in average wages.

In accordance with the established order, when work indicators deteriorate, enterprises are obliged to cancel or decrease the payment of supplements and additions to wage rates and salary scales. However, this requirement was often not adhered to, and established supplements and additions continued to be paid out by the enterprise to the full degree while the basic technical-economic indicators were not achieved and the wage fund was overexpended.

Gosbank institutions must continue to study the effectiveness of the economic planning system created under the new management conditions as regards planning the wage fund and controlling its expenditure; they must continue to make the corresponding proposals directed at improving this system in the

interest of achieving the economic and efficient expenditure of wage resources and of adhering to the correct ratio between growth in labor productivity and average wages.

Gosbank bureaus must strengthen controls over the status of work to control the expenditure of wage funds in subdepartmental Gosbank institutions; they must increase demandingness towards these institutions as regards precise adherence to the existing order for allocating resources to associations and enterprises for wages and bonuses and as regards improving the quality of the examinations carried out in associations and enterprises to make sure that wage funds are utilized correctly; and they must provide more practical aid to them in this matter, especially in the area of establishing controls over adherence to normative relations between growth in labor productivity and growth in average wages as confirmed for associations and enterprises.

#### FOOTNOTES

1. Personnel directly engaged in production includes: in industry--industrial-production personnel; in transportation--personnel working in transport operations; in consumer services--personnel involved in consumer services to the population, and so on.
2. Personnel not directly engaged in production includes: in industry--non-industrial personnel; in transportation--personnel not involved in transport operations; in consumer services--personnel not involved in consumer services to the population, and so on.

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LABOR

RUTGAYZER ON WAGE, CONSUMPTION FUND INTERRELATIONSHIP

Moscow IZVESTIYA AKADEMII NAUK SSSR: SERIYA EKONOMICHESKAYA in Russian No 6, Nov-Dec 85 pp 25-36

[Article by V. M. Rutgayzer: "Consumption Funds in a Distribution System Under Socialism"]

[Text] The problems of establishing an efficient correlation between the growth in wages and the increase in consumption funds (OFP) is examined; the place of the latter in the overall distribution system is analyzed; and the question is posed on improving practices in determining to charge or not charge in granting several types of services. Proposals are put forth aimed at an improved accounting of consumption funds and raising the effectiveness of their use.

I

The fundamental problem in improving the distributive relationships in a developing socialist society is the task of properly establishing correlations for wages and consumption funds. "The problem of qualitative and quantitative reciprocity between wages and consumption funds, regulating the proportions between them," correctly notes S. A. Sitaryan, "has not only a theoretical but also an important practical meaning in managing the overall process of distribution (1) of a necessary product, and in strengthening its role as a stimulant in the development of social production." [1, p 253]

It must be stated in regard to this question that a proper description has not been altogether comprised, as if the interrelationship between consumption funds and wages naturally, and not as a consequence of different concrete historical conditions of distribution and consumption, changes in favor of consumption funds. And so, for example, V. Rogovin on the whole, in his interesting work that is rich in content writes that "the anticipated growth rates in consumption funds in comparison with the increase in wages" is "one of the leading characteristics of social development under conditions of a maturing socialism." (2) [2]

An analysis of statistical data clearly shows that for the last 15-20 years consumption funds grew at a rate somewhat faster than that of wages (true, the degree of such a advance is gradually decreasing). But the fact of

advance is not a consequence of the action of "a leading characteristic," but connected first and foremost with change in the makeup of the concrete needs of the people, one portion of which is satisfied mainly because of wages (primarily in material goods), while another mostly due to consumption funds (chiefly in services of education, health and culture). The basic shifts in the makeup of needs of the populace in recent times are just tied to a quicker satisfaction of the needs in services than material goods, a large portion of which are given gratis to the people, so that the anticipated growth of consumption funds is only a reflection of shifts in the composition of needs and expenditures, that is, it bears a derivative character. From here, it seems to us, it is improper to examine the form of changes in the makeup of personal needs, which, at this stage, are those being projected relative to a more rapid growth in consumption funds as a special characteristic of socialist development.

Besides, anticipated growth in consumption in comparison with wages still even brings forth the circumstance in which a body of people requiring personal income from distributed consumption funds, irrespective of labor contributions (pensions, grants, stipends), had increased somewhat faster than the number of those occupied in public services. But even this cannot be looked upon objectively as a special condition of socialist development on the whole. The correlation in the number of these and other categories of the population might change in various directions.

Thus, there does not always exist beforehand a given requirement for a priority expansion of consumption funds in comparison with wages. The correlation between them accumulates as a result of accounting for concrete and historical conditions which determine the entire system of distributive relationships. (3) And in various periods the anticipated expansion of wages is possible.

This implies, first and foremost, the need to account for real conditions of security on the whole. Only in this case it is possibly the sequential use of advantages of a developing socialism and full exposure of its driving motives on its own basis. The distributive policy of society must guarantee an increase in the economic role and social significance of wages as a decisive source for the welfare of members of a developed socialist society. It is possible that what is required for this, at various stages for further development, is to guarantee even a more accelerated growth in wages in comparison with consumption funds.

The lines of demarcation of interchangeability of wages and consumption funds are quite narrow. This stems from the fact that the growing portion of gain in consumption funds must be expended in accordance with on-going natural factors of their growth. (4)

Thus, from 1961-65, owing to natural factors in the increase of consumption funds, their gain, according to calculations of G. S. Sarkisyan, amounted to 93 percent, from 1966-70 93.2 percent, from 1971-75 to 81.3 percent, from 1976-80 to 93 percent. [see 7, p 131] (5) From here it is clear that the opportunities for redistribution of sources to increase the wage fund and social consumption funds are limited to quite an insignificant extent--by that

portion of growth of consumption funds which remain after deduction of unavoidable expenses caused by factors in their natural growth. From 1976-80 this portion of growth in consumption funds amounted to 1.8 billion rubles. [see 7, p 131] It is just within this framework of a given magnitude that new measures to improve the consumption fund payments were carried out. At the same time, the growth of the wage fund for blue and white collar workers from 1976-80, owing to new measures (that is, with the exception of a growth in the fund as a result of the action of natural factors which amounted to 36.1 billion rubles), amounted to 13.1 billion rubles. [see 7, p 111] From here it follows that the opportunities for change in the correlation of the wage fund and consumption fund, because of changes in the structure of growth of consumption resources, is considerably limited, and, in the long term, it is unlikely for us to count on the broadening of these possibilities.

It is true that several different conditions exist for change in the correlation of the wage fund and consumption funds which are linked to change in the correlation of gratis and non-gratis services in rendering a number of services (from the point of view of those bearing a mixed character which are subject to payment and those that are free). Thus it is possible to decrease the size of subsidies in the allowances for corresponding organizations and institutions (for instance, housing and culture) and to increase the costs of their services. Generated capital might be used to increase the wage fund, but only in this case, if some mechanism is not planned for social compensation for increased expenditures to pay for services which are responsible for the growth in costs for them. If such compensation is established, then they, as before, must be paid out of consumption funds. And the opportunities to increase the wage fund here might only be tied to a subsequent expansion of services by higher tariffs, an expansion which as yet does not presuppose social compensation. If such compensation is established, then it, as before, must be paid from consumption funds. And the possibilities of increasing the wage fund might be linked only with subsequent expansion of the scale of services by increased tariffs, and with expansion, which no longer presupposes social compensation.

Finally, there is still one more means to change the correaltion between the wage fund and consumption funds. It presumes a transition from gratis to charged services, for example, in the field of health care. But, of course, such a path is socially inadmissible.

We note that an increase in the wage fund at a number of non-industrial branches automatically brings forth even a corresponding expansion of consumption funds as part of free services to workers at these branches, in that increased wages for these workers are by no means an alternative to growth in consumption funds. The growth in consumption funds and wages is brought about here by the action of one and the same factor--increased wages to workers in the service branches. And it is in this regard that increased wages and expansion of consumption funds are not interchangeable.

Therefore, the opportunities for interchangeability of wages and consumption funds are exceptionally narrow. Yu. V. Peshekhonov writes, "This is caused by

the fact that the predominant portion of the wage fund and consumption funds has been determined... The major portion of consumption funds...is allocated economically and judiciously." [9, p 65]

## II

On a level with the indicated major methods of distribution of benefits under socialism, there are other methods, supplementary in relation to wages and consumption funds.

It is possible using a well known convention to isolate two groups of such additional forms of distribution, one of which is contiguous to the distribution of labor, and the other, to the distribution of consumption funds.

If we are to speak of the first group, then we must keep in mind such sources of wellbeing as profits from personal subsidiary farming, individual construction and other forms of individual labor (for example, homemade handicraft businesses). It is possible even to note such a specific method of distribution as supplementary revenue derived from income resulting from charging a percentage on public funds kept in banks. All these methods of distribution even have linked to them distributive relationships (to a measurable degree deriving from wage distribution) which, however, are not directly associated with receipt of wages in social services. They exist and develop quite apart from the latter.

When considering the second group of methods of distribution, derived from the distribution of consumption funds, then here the following can be noted. Here I refer to those services which are somehow associated with consumption funds but are not part of them, but which, however, are distributed in accordance with the same principles. First, we must point out those benefits, the receipt of which eases the public burden at the expense of subsidies derived from the state budget to retail prices for goods and services requiring payment. Distribution of the subsidy is dependent only on the public's purchasing ability and takes shape on those goods and services as they relate to a subsidy to purchase prices.

Here, within this group of supplementary methods of distribution, it is worth noting that there are additional advantages to the various population categories which are not directly calculated within the limits of consumption funds, for example, payment for transportation as well as communications services.

As we can see, there are numerous additional methods of distribution outside primary channels--for labor and within the limits of consumption funds. In the end, the extent to which these methods are used is reflected in the correlation between receipt of these or other consumer benefits under socialism. Recently, within the political economic theory, a point of view developed, according to which, as the level of economic development increased, the relationship objectively and inevitably must be transformed in favor of free methods of distribution.

At first glance this appears to be the case: the greater the economic possibilities for society on the whole, then the growth in consumer benefits to the greatest degree must be aimed at being gratis to the people outside of the tie to wage distribution. But this only seems so at first glance.

In reality, the level of increase of economic development on the whole and the corresponding rise in personal income expand opportunities to obtain various consumer benefits, including those which formerly were given either gratis by consumption funds (6) or by closely associated methods of distribution, in particular, subsidies to retail prices. The experience of socialist countries attests to the fact that the transformation of the correlation of charged and gratis in favor of the latter applied when speaking about decreased price subsidies, primarily those benefits, as the various food products, housing services, transportation, and health and recreation institutions. At the same time it must be stated that the task of complete removal of price subsidies, as a rule, has not been advocated even in one socialist country as a long term aim of socialist policy. A subsidy is one of the obligatory instruments in how it conducts itself. (7)

### III

The significant level of free items in the distribution of various consumer services that have recently been achieved reflects the results of the efforts of a socialist state which had its previous social development stages aimed at satisfying for free those needs which possess special social significance. The high level of physical wellbeing and the growing opportunities for its increase in the long range allows for gradual reduction of the degree of free services to be derived from the various forms of consumer services, mainly in the interests of accelerating growth in the distribution of wages, with the aim of greater encouragement of the work force. This, undoubtedly, is a complicated social problem. Its resolution must be flexible and based on a comprehensive account of the concrete conditions in the distribution of services. And here, I think, it is necessary to observe without fail the principle of just compensation for changes in the level of corresponding personal income categories in consequence of the decreased role of gratis distribution of one or another consumer service. This seems to me to be, first and foremost, a consumer service such as housing. The process of gradual proportional increase using the reward method to obtain housing has, on the whole, in recent times been proceeding quite intensively. This is primarily tied to the expansion of housing construction cooperation. Recently decisions were made which essentially ease the conditions for joining housing construction cooperatives: the repayment period for loans has been increased, initial fees have been lowered, provisions have been made to receive physical aid from the enterprise, supplementary benefits for newly married couples have been set up, youth housing construction cooperatives are being organized (with beneficial conditions for repayment of bank credits and receipt of zero-percent loans).

At the same time there is the need for improvement in the principles for allocating housing from the state housing fund. Here, first and foremost, we must take into account the physical opportunities of those in need of such housing. Shortcomings still exist in the area of accounting which hinder

being able to fully guarantee the demands of social justice in the distribution of housing through the state housing fund. I think that free housing must, in one way or another, account for average per capita family incomes. It appears that with incomes above some predetermined level, housing should be made available mainly according through the channels of the housing construction cooperative. Simultaneously it is absolutely necessary to maintain a well-established gratis order in granting housing to families with relatively low incomes.

The expanded importance of the housing construction cooperative in responding to the needs of social justice to distribute services under the conditions of developing socialism must be a distinctive factor in decreasing estimated housing construction costs. Experience shows that the estimated construction costs for a cooperative dwelling, as a rule, are within planning specifications. Then, at state housing construction organs, they almost always turns out to be higher than the planning requirements. The estimated cost of cooperative housing construction is approximately one-sixth lower than that of the state. All this is simple to explain: the cooperative credit mechanism is more effective than the gratis financing for state housing construction.

Furthermore, growth in the payment principle has been justified even in regards to housing services. I think there is a need for change in the system of charges levied for apartments. It is advisable to differentiate its level depending on the quality of the dwelling and to provide guarantees for housing work that do not entail losses. To accomplish this, rent payments (within the limits of the state housing fund) should approach the level of payments for housing services at the cooperatives. My calculations, which might signify an increase in rent by 1.8-2 times (8) essentially differ from the charges applied (by 4-5 times) which are still being calculated in state housing fund expenditures for major repairs. I suppose that, at least in the short term, the accumulated order of its financing must remain intact.

Payment for housing services in the state housing fund is the same as for cooperative tariffs--socially justified requirements. Why should there be two tariffs for one and the same service?

An improved mechanism for paying rents and more complete accounting of consumer housing costs are needed. The latter is differentiated dependent on the influence of a significant number of factors. (9) This, of course, is a little developed problem. One of the approaches to its resolution might be evaluating the results of a housing exchange, aided by an established coefficient of function in measuring the overall quality of apartments. Analysis shows that "an equivalent exchange is not the physical area of an apartment, but the area that is relative to quality, that is, the area which reflects the qualitative parameters of an apartment." [14] (10)

Increasing the amount to be paid when receiving a state apartment and in paying for the services it contains might imply inclusion of the dwelling in an overall system of distribution of benefits dependent on the quantity and quality of labor. This might, of course, contribute to a growth in the incentive function of distribution according to labor. (11)

It seems to me that economic and social expediency is becoming imminent apart from the expansion of housing items now requiring payment even in a number of other branches of services. In my opinion, in particular, the question of expediency for subsidies to pay for services at a number of places of entertainment where the demand exceeds the supply deserves analysis.

A number of authors have questioned the need to regulate conditions to obtain authorization for sanatoriums, rest homes and tourist centers.

However, one should underscore that the possible increase in the degree of payment for services in housing and in the realm of culture and the health resort system might affect only an insignificant portion of consumption funds--according to our calculations, in all, 3-4 percent of their total amount, and accounting for social compensation, even less.

#### IV

The method of measuring consumption funds employed for planning and statistics is in need of definite improvement. Here I will cite specific instances.

First, in my opinion, all those types of expenditures which mediate receipt of some kinds of benefits which are known not to be received by all in need of them but directed towards a limited group of consumers must be excluded from the composition of consumption funds. In particular, I have in mind expenses in the support of so-called sports of high achievement which are being accounted for as part of consumption funds. Linked to these expenses, let us say, in the upkeep of an expert soccer club, there is no direct relationship to satisfying the needs of broad sections of the population in physical culture and sports. (12) Second, in the composition of consumption funds it is necessary to include expenditures which provide various privileges, for example, to pay for the services of intercity transportation for the different categories of the population (in particular, people who receive special pensions). As we all know, currently they are not allowed for in these funds.

Third, when determining consumption funds, we must consider not only current expenses in the upkeep of corresponding institutions serving the public, but even those one-time expenses--capital investments in their fixed capital. The first to give this attention was S. P. Figurnov. He wrote that, "real costs" in the upkeep of service institutions "include expenses which are not only for on-going but for substantiated labor including those which are embodied in fixed capital..." [10, p 184] But he thought that such an account of substantiated labor might provide fixed capital along the lines of depletion. This, however, is not enough. After all, depletion of fixed capital is an element of current outlays.

It suffices that a full accounting of substantiated labor in costs for indicating free services is possible, in particular, with the aid of a well-known formula for corrected expenses. The need to account of the "fund component" is dependent on the increased importance of the technological equipment used in the processes of service. According to my figures, the

portion of the "fund component," for example, in total expenditures (calculated by a given formula) for upkeep of treatment of patients with malignant growths amounts to 34-37 percent (for greater detail see [18]). An increase in the technical equipment for the oncological service of Soviet health care, just as with other sections, essentially is reflected in the dynamics associated with these costs. Their increase, to a relatively greater degree than before, will affect changes in overall costs to support and treat patients.

An account of the "fund component" in evaluating free services is needed in order to provide more efficient utilization of the fixed capital employed. It is worth noting that the level of use of the growing inventory of medical technology in Soviet health care is practically unregulated in contradiction to the expense for other resources. (13) It seems to me that measures are needed aimed at increasing the level of use of technology at medical facilities. This expediency is attested to by the circumstance in which, with the absence of some sort of significant difference in current expenses in calculating the first bed-day at oncological facilities, for example, quite an appreciable variation of expenses is noted that is associated with the use of fixed capital leading to current expenses. The scope of variations of the "fund component" of total expenses reaches up to amounts that are 3-4 times as great. This is evidence of the significant reserves in further intensifying the utilization of medical technology.

It must also be stated that an account of the "fund component" in expenses for upkeep of facilities for services given freely or paid for by in part by the public is needed even in other spheres besides health care--in the areas of education and culture. These calculations will further promote not only a more consistent evaluation for free services, but will establish an information base for carrying out measures for a more efficient use of fixed capital in the service branches that participate in the shaping of consumption funds. (14)

Fourth, determination of the dynamics of consumption funds as part of gratis services ought to be based on an evaluation of change in physical volume. Only in this instance is it possible to sufficiently correlate a comparison of their increase with an expansion of the wage fund. The fact is that systematic regulation of the wage fund stems from a basically stable system of retail prices. In any case, the precise extent of its magnitude in connection with increased retail prices on this or that type of goods is not being systematized. This means that the wage fund, at least in the planning period, is being determined as if there were no price changes. At the same time, consumption funds as part of free services are evaluated essentially in current funds. Thus, the increase in the laborers' wages in free services branches contributes to an increased evaluation of the services they render. But such an increase in their wages in no way translates into a real expansion of services to the public. (15)

A comparison of the dynamics of free services computed based on current expenses with the dynamics of the wage fund is known to increase consumption funds. It is necessary, however, to say that satisfactory methods to evaluate the physical volume of free services have still not been developed. I think

that such an evaluation is possible based on a combination of the cost characteristics of free services in the basic stage with change indicators in the physical volume of services in the long-range stage with the best possible appraisal of their quality.

V

Overall conditions to regulate a distribution system to a conclusive degree depend on which role the distribution of labor plays in it. "If we recognize," writes S. A. Sitaryan, "that the distribution of labor is itself a basic form of satisfying the needs of society, then it is clear that the wage fund must dominate in the overall vital assets fund and emerge as the major source of consumption." Otherwise the most important principle of distribution of material and spiritual benefits will be violated and the economic basis to stimulate labor and the material concern of the workers to achieve high results from their activities will be undermined. Qualitatively consumption funds cannot and must not predominate over wage funds." [1, pp 253-254]

Nevertheless, in recent times quite an intensive process to decrease the share of the wage fund is taking place in formulating, if we cite the term used above, the public's vital assets fund. This fund is formed not only from the wage fund and the consumption fund, but takes into consideration the above cited means of distribution, which abut the most important of its forms. The overall fund for the distribution of vital assets consists of the following elements: 1) the wage fund (including profits from wages and excluding taxes on wages, as well as allocations payments); 2) monetary outlays from the consumption fund (including allocations payments); 3) free services from the consumption fund (without subsidies for upkeep of the state housing fund); 4) receipts from personal secondary undertakings and various forms of individual labor; 5) receipts from the financial system (including also interest rates on deposits); 6) subsidies to retail prices for goods and services (including subsidies for upkeep of the state housing fund).

In the above list I excluded subsidies for upkeep of the state housing fund from the volume of free services, considering them, however, in the overall volume of subsidies to retail prices for goods and services. This is linked to the fact that rent subsidies have essentially the same nature as other forms of retail price subsidies for goods and services. But if rent subsidies are included in the makeup of free services and counted in the consumption fund, then they cannot be entered in regards to other forms of subsidies. I think that in this a definite inconsistency is displayed in accounting for free services within the framework of consumption funds.

Usually objections against counting subsidies to retail prices in the makeup of consumption funds is based on the assertion that in such a case one ought to exclude turnover tax from this calculation. But, first, subsidies have as their own source not only turnover tax, but the entire aggregate of revenues of the state budget, and, second, in such an instance one ought to recognize the excise character of the entire turnover tax. I think that such a only a specific portion of the turnover tax has such a nature. Third, the existence of price subsidies is not the reverse side of the turnover tax. Their

formulation is determined by special reasons not linked directly to the turnover tax. And fourth, among consumers subsidies are allocated proportional to the turnover tax. This means that we cannot comfortably assert that wholly concrete categories of consumers receive subsidies because they obtain goods according to prices with turnover tax. This is a very general assertion. (16)

It is clear, however, that even if subsidies to retail prices are not included for goods and services (17) in the composition of consumption funds, then their magnitude must be accounted for when substantiating the overall conditions of the distributive policy. And so, S. A. Sitaryan, who considers that "there are no sufficient scientific foundations to include these expenses (subsidies) in consumption funds, nevertheless thinks that "they can never be considered both while evaluating the /essential product/, and the proportions which accumulate between the various forms of its distribution." [1, p 259] Apparently, in order to characterize the overall conditions of distribution of consumer services under socialism, the above indicator for the overall fund for the distribution of vital assets is considerably more fitting.

## VI

In examining the question of the organization of the overall system of consumption funds, one should pause on the problem of participation of the assets of enterprises and associations in their financing. Here we speak of advantages of a different type in receiving services basically in recreational facilities generated by funds for socio-cultural measures and housing construction. The opinion exists, according to which the creation of a social infrastructure within the framework of the enterprises and associations reinforces the disparity in the receipt of various services. On the basis of the needs of social justice, such an infrastructure must be deducted at the enterprises and organizations and integrated with the accessible system.

But there is even another point of view. And so, S. A. Sitaryan holds that more "preferable is the development of decentralized forms to satisfy the needs of the laborers resulting from consumption funds." [1, p 258] Roughly such a point of view is supported by Yu. V. Peshekhonov. He writes, "the use of the assets of state and cooperative organizations for the needs of financing consumption funds must remain intact... The satisfaction of many socio-cultural public needs might incomparably more efficiently be accomplished according to place...of work." [9, p 138]

I think that the existence of a social infrastructure within the framework of enterprises and associations is an obligatory element of the economic mechanism that has taken shape, one of the conditions from which collective incentive emerges. (18)

The social infrastructure, being established as a result of deductions from profits, provides for the receipt of supplemental benefits on preferential terms to workers at enterprises and organizations. This, without any doubt, contributes to strengthening the stimulative effect of distribution on the whole of wages, in particular. This, of course, is a positive feature of the departmental social infrastructure.

A negative feature, first and foremost, is the absence of evenly accessible opportunities in the organization of similar social infrastructures at a large number of national economic branches, primarily in the non-production sphere, which, of course, intensifies the social disparity and weakens the stimulative effect of distribution at these branches.

Another negative feature of substance of similar social infrastructures is their restrictiveness. They are oriented only towards workers at their own enterprise. Hence there is the well-known disregard for the economical use of such infrastructures. According to data on hand, recreational facilities, for example, in departmental systems are used somewhat more effectively than at a generally accessible system.

I think there is no conclusive basis to eliminate departmental social infrastructures. But here adjustments are necessary so that their use might be more effective. This can be achieved, I think, only by expanding the opportunities to derive corresponding services for a greater circle of those in need, including not those working at a given enterprise, but rather those engaged in public service branches. Here possibly it might be worth introducing something like "taxes" in the departmental system of recreational facilities. With the aid of such "taxes," more precisely, the number of, let us say, places allocated at rest homes to be distributed among workers from other branches, the efficiency of the departmental distribution systems might substantially increase. Besides, strict financial control is necessary over how they function. Here there are absolutely no relevant over-indulgences.

Consumption funds play an important role in the distribution system. In the long term the major tasks to improve their organization is tied, I think, to the resolution of, not so much quantitative, but qualitative problems.

#### FOOTNOTES

1. Italics here and later in text are by author.
2. Several authors connect the anticipated growth in consumption funds with the fact that the latest one are a transitional form towards communist distribution. "Distribution through social consumption funds," writes O. S. Karasik, "must convert into a comprehensive form in the highest phase of communism...where through these funds distribution will be realized according to needs." [3]

By criticizing this position, G. A. Oganyan convincingly showed that social consumption funds are inherently characteristic of socialism and present one of the forms of socialist distribution. We agree with his opinion that "distribution according to needs will differ both from distribution by labor and from distribution through social consumption funds." [4]

It must be stated that even today in literature one encounters assertions as if "the distribution from social consumption funds is a prototype, a beginning

form of communist distribution independent of labor contributions and the future belongs to it. [5, see chapter by V. N. Cherkovets, p 45]

The unevenness of such an approach to evaluating the character of social consumption funds is convincingly shown by B. V. Rakitskiy and A. S. Bim in the same book. By their completely correct assertion that "distribution through the OFP--specifically socialistic form of distribution," they show that "well-known attempts to explain the natural tendency of the anticipated rate of growth of the OFP...are in close proximity to the given form of distribution to communist distribution. [5, see chapter by B. V. Rakitskiy and A. S. Bim, p 70]

3. This is why we cannot agree with the assertion of G. S. Sarkisyan that "the role of social funds will become the determining factor in the further increase of public living level, that is, social consumption funds will become the primary source of the growth in personal income." "Subsequently," adds the author, "this tendency will lead to social consumption funds being converted to the /primary/ source of personal income." [6, pp 171-172]

Insofar as the circle of expenditures, being satisfied by social consumption funds, is quite limited and there is no basis to count on its expansion, then it is impossible to interpret the accumulated correlation in the growth in comparison with an increase with wages as evidence that a tendency exists for converting consumption funds in the future into the "primary source of personal income."

Moreover, "unwarranted expansion in the range of services given gratis or at reduced rates--as pointed out quite fairly by V. A. Volkonskiy and T. I. Koryagina--might lead to contradictions with the principles of wage distribution. [8, p 28]

4. There are increases in the number of people enjoying consumption funds under the existing conditions of their distribution (children of pre-school age, students, the aged), increases in the extent of monetary payments in connection with the overall growth in the level of wages, as well as increased expenditure quotas, which were not connected with carrying out new means for expanding free services.

5. It was anticipated that from 1981-85 the share of natural factors would decrease somewhat and amount to a growth in consumption funds of 81 percent.

6. I think that S. A. Sitaryan is quite correct in asserting that "the growth in the wage fund and the average pay to laborers...increases the possibilities to satisfy growing spiritual and social human needs by means of personal income. One of the methods to resolve this task might be giving the people greater opportunities to enjoy paid services even in those spheres which are mainly provided free of charge." [see 1, p 260]

7. For example, recently in Hungary there was a substantial decrease in subsidies to retail prices. The number of subsidized goods and services was reduced. However even now their number is quite significant: milk and dairy products, rural electricity, medicine, apartment rents in the state housing

fund, a number of communal services, services in pre-school institutions, and various goods and services cultural in nature.

Hungarian economists contemplate that in the future specific subsidies to prices will be retained. But they must, as the economists calculate, be more directory in character and applicable in regards to the goods and services which are the object of primary consumption of separate groups of the population, for example, medicines or services intended for children's institutions.

8. Again we should note that such a change in paying for apartments must be completely compensated for in the form of additional payments to personal income.

The mechanism for such compensation might be based on the so-called "bread allowance." "The necessity to introduce it arose," wrote S. P. Figurnov, "in connection with several increases in prices on rationed items carried out in 1946 as a preparatory step towards changing the rationing system (until this time ration prices were kept at a pre-war level). In accordance with this, for low-payment and average payment categories for office workers and laborers receiving wages of up to 900 rubles a month from September 1946, a "bread allowance" was introduced amounting from 80-110 rubles a month. [10, p 138]

9. Research has shown that consumer housing costs (for similarly equipped units) depend "on the special features of an area of the city, the level of its public improvements and the availability of public transportation (primarily the metro), the level of how well the living quarters of a building are managed, the closeness of cultural and others institutions offering to the masses an ample assortment of services, the location of the house on a block and the noise level, insulation, ventilation, the building's type and safety design and its technical condition. In addition, great importance is attached to the location of an apartment within the building (the floor it is on and whether it faces the sun, whether it faces a major street), the presence of continuous or corner ventilation, the amount of natural light, the layout of the rooms, how well it is equipped with extra accommodations and built in furniture, balconies, open columns and their sizes, the type and size of the kitchen and bathrooms, the extent of wear and tear and obsolescence, how well the walls are finished and sound insulation." [11] Other authors have given attention to the need to account not only for useful living but also for actual beneficial space when fixing rents in the state housing fund. A. A. Baranov writes that "it makes sense to introduce higher rents for excess living space and to establish rates not only for the rooms but for all beneficial space in the apartment... When transferring...the allocation...of a specific apartment the significance of the extra accommodations grows sharply, and state expenditures to build them in the transition to an improved series of apartment houses increases." [12]

This idea is supported by M. V. Timashevskaya: "...it is not only the area of the kitchen but even other additional accommodations in the apartment--the bath, the toilet, the vestibule, that is, the total area of a given apartment...must be paid for by a tenant..." [13]

10. This author accounted for only four qualitative characteristics of an apartment: the region, insulation, floor and type of house.

11. In regards to regulating the distribution of housing one can use the concept of a socially guaranteed minimum. S. S. Shatalin directs his attention to this. "Within the limits of a socially guaranteed minimum, housing is the most important social benefit, and the level at which it is provided is a concern of the Soviet state. Within these limits housing is transformed into a 'general economic benefit,' the level of consumption which is selected by the consumer in accordance with his own wages and consumer preferences... Housing, to a great degree, now must become an instrument to stimulate the workers to achieve growth in the efficiency of overall production, to increase productivity of labor and on the basis of this--monetary labor gains." [15]

Later S. S. Shatalin puts forth a proposal on carrying out "a complex housing reform...which would provide for at least two principles: gradual purchase of housing above the specified socially guaranteed minimum and reform in payments or apartments the aim of which would be the bringing it closer to the actual expenditures of society for the upkeep and repair of housing." [16] I am basically in agreement with these principles. Naturally, I would like to indicate that financing major housing repair in the state fund must be maintained in accordance with the existing order.

12. I believe that within the overall framework of physical culture and sports there are two autonomous systems: on the one hand, there is the sport of high achievements and, on the other hand, physical culture and mass participation in sports [see 17 for greater detail]; only expenditures connected with the functioning of a system of physical culture and mass sports bear reference to consumption funds.

13. Thus, the level of current expenses at medical facilities is strictly regulated with the aid of budget control (rigid conditions exist to regulate the supply of personnel, and consequently wages, as well as expenditures for feeding, medicines, soft inventory and others), and a number of measures are being employed to physically stimulate the efficient use of financial means for these aims.

An experimental check is underway as are organizational methods for a more efficient use of the bed supply at hospitals. This, in particular, is being stimulated with the aid of corresponding additional payments to the public service payment scale for medical personnel to increase work volume brought about by the growing turnover of beds. Here I speak in particular, of an experiment being conducted by the All-Union Scientific Research Institute for the Organization of Public Health imeni N. A. Semashko. The introduction of supplemental funds to personnel to decrease the periods of hospital treatment under such efficient conditions might provide significant savings in resources, which are necessary for a corresponding expansion of the bed supply. These savings as part of capital investments are evaluated in the amount of capital needed for a 4-5 percent increase in the bed supplies at hospitals.

14. We note here that there are considerable possibilities for using the premises at various facilities in order to provide traditionally organized services for the different branches. In particular, mutual interest parents' clubs might meet on school grounds in the evening after classes. It is entirely possible to use adult and student athletic halls to satisfy these needs. Opportunities exist for more efficient (as a result of combining services) use of space at cultural facilities..

In connection with this, it is worth thinking about the question of planning that takes into account providing opportunities for the complex utilization of such facilities for diverse service organizations.

15. The first to direct his attention to this was G. S. Sarkisyan. He wrote that official consumption fund growth indices "do not completely and reliably" reflect their own dynamics. He explained this by stating that the USSR Central Statistical Administration "develops and publishes consumption fund indices only in current prices." "If we consider price changes," he adds, "then the growth of consumption funds...will be smaller." [7, p 113]

16. At the same time I think it is entirely correct to exclude actual public revenues of the excise portion of the turnover tax from computations. Its actual value, however, is quite a complicated problem.

17. These subsidies are set as the difference between industrial costs and the receipts for retail prices from the sale of goods such as meat and meat products, milk, different types of fish and assorted children's articles. Here I account for subsidies tied to sales to a corner of the population by prices which are lower than the active wholesale prices, as well as allocation of favorably taxed electricity and heat. Price subsidies on several types of domestic services exist.

18. In the CC CPSU and USSR Council of Ministers decree approved in the middle of July 1985 "on the wide distribution of new management methods and the intensification of their influence on acceleration of scientific and technological progress," a number of measures were recorded aimed at increasing the role of the socio-cultural measures and housing construction fund formed in relation to work results in resolving the social development tasks of the labor collectives.

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## LABOR

### BETTER REGULATION OF WAGE RATES FOR MACHINE BUILDERS NEEDED

Moscow SOTSIALISTICHESKIY TRUD in Russian No 2, Feb 86 pp 45-50

[Article by I. Andrianov, chief, Administration for Organization of Labor, Wages and Personnel of the USSR Ministry of Machine Tool and Tool Building Industry: "Improving the Wages of Machine Builders"]

[Text] Machine building is playing a key role in accelerating scientific-technical progress in all sectors of the country's national economy and in renewing fixed productive capital. Attainment of priority goals such as accelerated growth of labor productivity, significant improvement of product quality and all-out economization of all forms of resources depend on machine building in many ways.

Machine builders must complete great and complex tasks in the 12th Five-Year Plan associated with accelerating the country's socioeconomic development. And if this is to be done, it would be very important to make maximum use of the creative potential and to place unutilized reserves into action on the basis of introducing the accomplishments of science and technology and improving the economic mechanism, labor organization and wages, and especially of engineers, technicians and office workers.

First of all in my opinion we need to introduce a pay rate system foreseeing a wider range between minimum and maximum salaries. At present the difference between them averages 20 rubles. This insignificant difference in pay is unable to stimulate initiative and a creative attitude toward the work. The situation is aggravated by the fact that the existing procedure of practically equalizing ratings of engineers, technicians and office workers has persisted over several decades, and it has generated, if I may be permitted to use the term, a "mediocre worker."

In my opinion we need to introduce a new system, one which would allow us to give raises to outstanding workers at least once in 5 years within the limits of the range between the minimum and maximum salaries, without increasing the planned wage fund of the enterprises, and within the limits of it with regard for growth of labor productivity.

The existing procedure of rating engineers, technicians and office workers as well as the use of the planned increment in the wage fund only to increase

the earnings of piece-workers inevitably leads to creation of incorrect proportions in pay between engineers and technicians on one hand and laborers on the other, despite the periodically conducted adjustments in the organization of wages. And development of standard pay schedules of engineers, technicians and office workers within the limits of the wage fund, calculated on the basis of average salaries that are stable for practical purposes from the moment of their introduction, deprives the administration of the possibility for encouraging resourceful workers. But if the planned increase in the wage fund is distributed strictly proportionately in relation to each category of personnel during the fiscal year, no restrictions would be required. Then everything would fall into place, because each category of personnel would make its contribution to fulfilling the plan, and in correspondence with this it would receive material encouragement in the form of an increase in the planned wage fund.

Mention should also be made of the fact that allocating additional assets from the state budget to adjust the wage fund, a practice which evolved in the past, has not justified itself. Despite the two "adjustments" that were made in the last 20 years, the organization of wages has improved little, and the same shortcomings that had been the target of elimination remain: These include the high percentage of surpassed norms and an incorrect ratio of the wages of different categories of personnel. The solution is suggested here by life itself: We need to introduce a new wage system and pay each category of workers strictly within the limits of the wage fund planned for them. This would compel labor collectives to earn their own assets with which to raise pay, and it would not cause the rate of growth of average wages to exceed the rate of growth of labor productivity, as had occurred in a number of cases in the course of "adjustment," when assets were allocated from the budget irrespective of the results achieved in the work of the enterprises.

Today, because brigade labor organization is becoming the principal form in the enterprises, the role of the foreman in production is changing significantly. He is no longer the direct organizer of the work of the laborers. His work now basically entails solving the problems of preparing for production that are beyond the competency of the brigade--providing materials, intermediate products, tools and so on. His role as an immediate supervisor responsible for distributing the workers and giving them work, and as an educator has diminished noticeably. All of this compels us to look at the role of the foreman in the new conditions in a different way. We are aware of attempts to include him in the composition of the brigade, as well as other engineers and technicians. It seems that such a step cannot be thought of as being justifiable. First of all, if foremen join the brigade, they become dependent on it materially. This deprives them of the possibility for being objective, and it encourages them to subordinate their actions to the interests of chiefly only the given brigade. Second, it is impossible to include engineers and technicians in each brigade simply because there not enough of them to go around. Rather than utilizing the brigade form of organization of labor and wages to reduce the number of foremen by increasing the standard number of workers in each of them, if we include them in the brigades we leave the administrative staff the same as before.

Because a significant part of the functions of the foreman have now been transferred to the brigade leader, it would be suitable to reexamine our ideas about foremen and production section chiefs.

Considering the important role of foremen, raising their salaries has been proposed. This measure deserves attention from the standpoint of creating interest in this position so as to attract highly qualified specialists with higher secondary and special education possessing organizational capabilities. But this should be done only within the limits of the new general pay system. Independent solution of this problem would inevitably cause new shortcomings to superimpose themselves over the organization of wages for workers of industrial enterprises.

Executives of associations and enterprises must establish the wages of foremen servicing sections containing an enlarged standard number of workers by increasing the planned wage fund allocated for the planning year in proportion to the growth in labor productivity. But if these assets are not enough for all foremen, then pay would have to be increased chiefly for those of them who are working in the leading sections and who are achieving high end results. The pay of the others may be increased in the next planning period.

It is very important today to intensify the material interest of engineers and technicians, including foremen, in accelerating introduction of technical innovations into production that would insure an increase in labor productivity, product quality and economization of materials and labor outlays. For this purpose it would be suitable to introduce bonuses for exceeding planned growth of labor productivity and economization of material resources (on the condition that their expenditure is properly accounted for) attained in the sections assigned to them. Bonuses for a significant rise in labor productivity (beyond the average of previous years) should be established at 50-60 rubles per month and, with regard for economization of material resources, 80-90 rubles. In this way we would solve the problem of intensifying the material interest of engineers and technicians in improving the work of the production sections they service.

Discussing foremen, we need to also examine the problem of the number of workers in the brigades, which sometimes total 30-50 persons and more. Getting carried away with thinking big does not do any good. A brigade leader spends a significant part of his work time supervising such a collective and therefore he loses significantly in his wages--he is, after all, a piece-worker. And if he receives an extra share from the brigade bonus, this creates an unhealthy atmosphere in the collective. We know of ironic remarks published in the press on this account on several occasions. Brigades containing 10-15 persons are the most widespread in machine tool and tool building industry. Experience shows that in such conditions the brigade leader does not become a foreman "in disguise," and healthy mutual relationships between him and the workers are not disturbed.

To raise the role of the foreman and other engineers and technicians, we should make fuller use of the possibilities of establishing extra pay for them financed by savings in the wage fund, chiefly at enterprises that had converted to the major experiment presently under way. It is important only to

strictly observe the fundamental premise that extra pay must be dependent on attainment of high results in the section the foreman services, and not used for the purposes of mechanically increasing his pay. When the work results worsen, the extra pay is eliminated, or it is reduced until such time that the shortcomings are corrected and the production indicators improve.

Today the system for encouraging this category of workers is structured on the principle of establishing bonus indicators and additional conditions for bonuses for each of them; if these conditions are not met, the bonus is reduced, or it is not paid at all. Externally this procedure appears logical. It looks as if it would mobilize the worker to attain high results, inasmuch as it guarantees that he would receive a certain bonus. But unfortunately, this is only the external, apparent side. In reality, as many years of experience show, the role of such an incentive system is not great. The problem is that a previously announced bonus could be decreased only because of deficiencies in work, the list of which is strictly limited. But if nonetheless this list provide the grounds for canceling or reducing a bonus, a corresponding order coordinated with the trade union organization must be published. The procedure of canceling a bonus foreseen by the existing statutes is so bureaucratic that it is rarely used in practice. And this means that the statute "does not work." When the discussion turns to absenteeism, there are no problems. Such an order is drafted easily. But when the discussion turns to production deficiencies, the situation becomes more complex. It must be persuasively demonstrated that the worker was in fact responsible for such deficiencies, while he objects and raises a thousand arguments in his defense. Moreover this procedure lowers the opinion held of the administration: Attachment of a list of persons deprived of bonuses to an order is viewed as a bureaucratic form of leadership. As a rule, executives are reluctant to take this route.

Finally, we arrive at the last and perhaps and most important point. On signing such an order, in one way or another the director pits himself against the person losing his bonus, who feels insulted, all the more so because given his low wages, he views the bonus as extra pay to which he is entitled, and he always counts on it. When a certain group of workers lose their bonuses, unhealthy attitudes form between them and the director. And because the director does not want this to happen, he tries to do nothing which would cause it to happen. If we look at the number of persons that had lost their bonuses at an enterprise in the course of a year, we would find that such cases either had never occurred, or they were sporadic (not counting absentees). As a result despite the fact that the statute on bonus payment formally does foresee measures which should spur on those who fall behind and put the leaders in a better position, in reality everyone receives a bonus.

It is another matter when a bonus fund is placed at the disposal of each structural subdivision of an enterprise. In this case the contribution of each worker is now assessed by his immediate supervisor with regard for the entire set of requirements imposed on him by the job description, and on the basis of the results achieved in fulfilling the planned operational quotas.

When he signs a document placing a bonus fund at the disposal of a subdivision, one which is determined in accordance with established indicators and conditions, the director simultaneously indicates the total bonus to be paid to its leader. This morally releases the latter from the problem of paying himself a bonus.

Inasmuch as the size of the bonus determined for a given worker is not announced beforehand, the absence of his name on the bonus list cannot be construed as cancellation of a bonus. What it simply means is that he had not earned it, according to his immediate supervisors. In this case there is no need to write any kind of orders; it would be sufficient to coordinate the issue with the trade union organization. Payment of bonuses to some associates that are larger than those of others would indicate that their contribution to the overall work results was assessed to be higher, and it would create a stimulus spurring the others on. If in this case someone is dissatisfied with the director's decision, the latter could always concretely explain the reason why that worker had not received a bonus or received a reduced bonus--something which a director cannot do today when he approves bonuses for all engineers, technicians and office workers of an enterprise.

The problems of the pay of workers of ministries and chiefly of their central staffs occupy a special place in the overall problem of organizing wages in machine building. The ministries are commonly called the staffs of their sectors, and they must employ specialists having proficiency in the strategy and tactics of managing the affairs, and receiving a corresponding wage. Work in the staff of the ministry must be viewed as an incentive measure for workers invited from the enterprises. But is this the way it is today? Perhaps not. The problem is that the wages of the workers of industrial ministries are lower than those of corresponding categories of workers employed by the enterprises. As an example the wages of the chiefs of all-union industrial associations and of the chiefs of administrations in the central staffs of the ministries are 100-200 rubles lower than the wages of enterprise directors in the first and second wage groups. The wages of workers holding similar posts are correspondingly lower as well. It is precisely for this reason that many enterprise directors do not give their consent to a transfer to a higher executive post in the ministry. The same can also be said for workers one rank lower. The situation is also aggravated by the fact during the last two adjustments made in the wages of workers in the low and middle pay categories, their wages climbed significantly, while those of executives and chief specialists of the ministries remained at the initial level. If the staffs of the ministries are to be actually transformed into sector staffs, they must be manned by highly qualified specialists who had accumulated considerable experience in the enterprise collectives, and conditions encouraging them to transfer to posts at the staff level must be created.

New pay rates must also be introduced for laborers. And chiefly because their pay level has not stimulated application of challenging, technically justified norms for a long time, and consequently because it is inhibiting the use of the reserves for raising labor productivity. Today, the average wages of piece-workers in machine building more than twice exceed the maximum rate for the highest rank. Were we to exclude bonuses from their total average wages,

the remainder would show that we have surpassed the existing norms at the level that existed at the moment of the last adjustment in wages. Introduction of new wage rates would make it possible to upgrade the quality of existing output norms and thus stimulate more-productive labor. It would be suitable to introduce new wage rates into an enterprise not simultaneously but selectively, in relation to individual occupations. For workers in the principal jobs, and especially in the hard jobs and in jobs with harmful working conditions, and only within the limits of growth of the planned wage fund--that is, in proportion to growth in labor productivity, as was discussed in relation to raising the salaries of engineers, technicians and office workers.

The time has come to organize and develop technically justified norms at the enterprises in a different way.

An abrupt qualitative jump occurred in development of the implements of labor in recent years. Manually operated machine tools and machines used formerly are fading into the past. Machine tools and processing centers equipped with digital programmed control and flexible adjustable automatic systems have appeared. Robot technology is experiencing wide application. All of this is fundamentally changing the previously evolved approach to technical standardization of labor.

The traditional methods of standardizing labor are characterized by a low level of its automation. Given the large volume of calculations and logical operations, when norms are calculated by hand their quality is not what it should be, and their grounds are inadequate, especially in small-series and single-item production. This situation is aggravated by the fact that the function of technical standardization is viewed at most machine building enterprises as something apart, something independent of development of production processes. When enterprises had manually controlled equipment and their output capacities were relatively small, the isolation of labor standardization from production planning did not have such a negative effect on utilizing the possibilities of the equipment employed. But now that the relative output capacities of the implements of labor have grown abruptly, and labor productivity is now determined for practical purposes by the kinematic features of machine systems, correct determination of output (time) norms is one of the decisive factors of insuring high labor productivity through the fullest possible use of the possibilities of new equipment. Inasmuch as the standard setter does not as a rule possess sufficient knowledge of the technological possibilities of this new equipment, and because the process engineer does not concern himself with standardization, it is frequently for this reason that growth of labor productivity is retarded. As a result the state, which spends enormous amounts of money to reequip enterprises, does not enjoy a full return by the established deadlines.

In machine tool and tool building industry and in some other machine building sectors it has now been more than 10 years that the work of laborers in the principal production operations has been standardized by process engineers assigned to concrete production sections. They are drawing up technically justified norms concurrently with production planning. As a rule, this method produces positive results.

In order to raise the material interest of process engineers in the work of technical standardization of labor, when they fulfill the quotas for introducing technically justified norms into production and complete the calendar plan for review of these norms attached to the collective contract, they are given extra pay totaling up to 50 percent of their official salary. Moreover they are paid bonuses for reducing the labor-intensiveness of production.

A group of engineers numbering several persons depending on the work volume is created in the process engineering departments of enterprises to keep records on norm satisfaction, on review of obsolete norms and introduction of new ones, on reduction of the labor-intensiveness of production and on management of standards. Overall methodological leadership to labor standardization is provided by the labor and wages department, [OTIZ]. It determines shop quotas for introducing technically justified norms, and it prepares orders approving extra pay for process engineers involved in standardization. When the established quotas are not met, the plant director withholds extra pay at the request of the chief of the labor and wages department until the situation is corrected.

Thus responsibility for organizing technical standardization of labor and for its status at enterprises is borne mainly by the chief of the labor and wages department and by executives of the process engineering services. Specialists setting standards for main production operations are switched to standardization of the labor of workers in auxiliary shops.

Transferring labor standardization in the main production operations to process engineers, we organized training for them in the sector advanced training institute network and in schools created right at the enterprises. To facilitate calculation of norms and simultaneously upgrade their quality, the sector makes wide use of computers, marking a transition to a qualitatively new method of technical standardization of labor. Use of computer technology has made it possible to combine production planning with development of technically justified norms into a single process. This procedure has now been introduced into more than 60 of the sector's enterprises, which is producing good results.

In a word, improvement of wage organization is closely associated with the problems of standardizing and organizing labor, adjusting the control structure and so on. These problems must be solved integrally.

From the editor: Solution of the most important problems touched upon in I. Andrianov's article was foreseen in the recently adopted decree of the USSR Council of Ministers and the AUCCTU "On Increasing the Role of Foremen and Chiefs of Sections and Shops of Industrial Associations, Enterprises and Organizations Further and on Intensifying Stimulation of Their Labor."

Following the example of the Belorussian Railroad, as an experiment the Chelyabinskiy Traktorny Zavod imeni V.I. Lenina Production Association intends to introduce new wage rates and salaries to be financed within the limits of the planned

wage resources. The principles to be observed in the experiment are approximately the same as in the one to be conducted in other machine building enterprises as well.

As far as the Ministry of Machine Tool and Tool Building Industry itself is concerned, there are still many unutilized reserves for raising production effectiveness in this sector. This was noted in particular in the CPSU Central Committee decree "On the Work of the Party Committee of the Ministry of Machine Tool and Tool Building Industry Concerned With Intensifying Responsibility of Communists in the Ministry Staff for Raising the Technical Level and Quality of Products in Light of Requirements of the April (1985) CPSU Central Committee Plenum."

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## LABOR

### LAWS GOVERNING WORKER LAYOFF PROCEDURES

Moscow MATERIALNO-TEKHNICHESKOYE SNABZHENIYE in Russian No 1, Jan 86 pp 75-79

[Article consisting of readers' questions answered by N.M. Belokon , legal consultant of the legal department of USSR Gossnab: "Procedure for Discharging Workers When Enterprises and Organizations Lay Off Workers or Eliminate Job Slots"; first two paragraphs are MATERIALNO- TEKHNICHESKOYE SNABZHENIYE introduction]

[Text] In the draft of the Basic Directions for the Economic and Social Development of the USSR Over the Period of 1986-1990 and up to the Year 2000 the party has defined the supreme goal of economic strategy--a steady rise in the material and cultural standard of living of the Soviet people. In the coming period this will mean speeding up socioeconomic development and achieving intensification and higher production efficiency on the basis of scientific-technical progress. It will be necessary to improve the organizational structures of management, to simplify the administration and make it less expensive, to improve its efficiency, to achieve an optimum balance between personnel employed in production and in administration, and to eliminate unnecessary job slots. Even today nationwide support has been given to the initiative of progressive collectives to meet planning targets with fewer workers and to the movement for mastering related occupations and combining occupations.

The editors have been receiving letters from readers requesting explanations as to how workers and employees are discharged in connection with reduction of the size of the labor force of enterprises and changes in the number of job slots. N.M. Belokon , legal consultant of the legal department of USSR Gosnab, answers the readers' questions.

Question: In what way can an administration use material incentives for performance of work with fewer personnel?

Answer: At the present time it is widespread practice at enterprises to accomplish jobs with fewer personnel by combining occupations and by broadening the areas workers are responsible for, whereby under current legislation the workers are entitled to supplements to wage rates and salaries out of the saving on the wage fund.

Question: At whose initiative can the number of workers or the number of job slots be reduced?

Answer: The number of workers can be reduced in accordance with the target assigned. In addition, since the management of an enterprise has authority to establish and fill the enterprise's job slots, the number of workers or the number of job slots can be reduced at the initiative of the management.

The rules governing cancellation of a work contract with workers in connection with reducing the number of workers or the number of job slots have been set down in Articles 17, 18, and 19 of the Bases of Labor Legislation of the USSR and the Union Republics (hereafter we will use the term "Bases of Labor Legislation"), in Articles 33, 34, and 35 of the RSFSR Labor Code, and the relevant articles of the labor codes of the union republics. Moreover, in the USSR Law on Work Collectives and on Enhancement of Their Role in Management of Enterprises, Establishments, and Organizations, adopted 17 June 1983 (VEDOMOSTI VERKHOVNOGO SOVETA SSSR, No 25, 1983, Item 382), work collectives have been granted rights in the area of the organization of work, work norm setting, and remuneration. To be specific, work collectives can make suggestions and take steps to introduce progressive forms of the organization of work that help to raise its productivity and to fulfill the production plans established with fewer personnel, and to take part in deciding questions of use of the saving on the wage fund duly achieved in the collective by reducing the number of personnel to pay incentives to workers who exceed the quotas (assignments) in effect.

Question: In what documents is a reduction of the labor force or the number of job slots recorded?

Answer: These documents might first of all be the enterprise's labor plans, which state the optimum number of workers and employees, the number of workers made available every year and the additional need for personnel, sources of additional manpower and plans for recruitment of manpower by quarters and for the year, organization charts, orders of enterprise managers issued in connection with the discharge of workers because of elimination of job slots or reduction of wage funds. The size of the labor force may be reduced because of a change in the nature of the enterprise's work which has an impact on the number of workers in particular occupations and specialties. But in all cases only an actual reduction in the number of workers or the number of job slots can serve as the management's basis for dissolving the contract with the workers.

Question: In what cases are labor contracts with the workers dissolved when the size of the labor force or number of job slots are reduced?

Answer: If there are vacant positions at an enterprise, then the reduction of the number of workers or the number of job slots must as a rule be done by eliminating them, not by eliminating workers.

The labor contract can be dissolved as a consequence of reduction of the number of workers or job slots both when there is an actual reduction in the

amount of work and also when various technical and organizational measures are being taken to reduce the number of workers, although the amount of work remains unchanged or even increases. This kind of discharge may also occur if a change in the nature of the work reduces the number of workers in certain occupations and specialties, while the need for workers in other occupations and specialties increases. In this case the change in job titles (for example, when a new organizational structure is established) does not provide the basis for laying off workers when job slots are reduced unless there is a change in the content of work done.

It should be borne in mind that the transfer of an enterprise from the jurisdiction of one body to that of another does not terminate the validity of the labor contract. In the case of a merger, division, or takeover of enterprises employment relations continue with the worker's consent; in such cases termination of the labor contract at the management's initiative is possible only if the size of the labor force and the number of job slots are simultaneously reduced.

A layoff resulting from reduction in the size of the labor force or the number of job slots is one of the ways of laying workers off at the management's initiative. It is possible only under the following conditions: if a reduction of the size of the labor force or the number of job slots has actually taken place; if the layoff of the particular worker was dictated by the interest of production; if the worker laid off does not have prior job security over other workers with the same qualifications; if the management is unable to transfer the worker laid off to another job or if he has not acceded to recommendations for placement in another job.

These circumstances are verified by the trade union committee, which takes under consideration the management's request for its consent to the layoff in reducing the number of job slots as well as by the courts and higher-level organizations, which take up applications for reinstatement.

Question: What worker categories have special guarantees when the job slots are eliminated?

Answer: Current legislation does not allow layoffs at the management's initiative, and this includes even reduction of job slots, in the case of pregnant women, breast-feeding mothers, women with infants under 1.5 years, except in cases when the enterprise is entirely liquidated, and then such a layoff is permitted only with mandatory job placement (Article 73 of the Bases of Labor Legislation), draftees in the year of their callup for active military service; persons called up for military training musters during the period from the date when they receive notice of the callup and the date of return from the musters (Article 72 of the Law on Universal Military Service in the version dated 17 December 1980).

As indicated in the decree of the AUCCTU dated 11 September 1961, only in exceptional cases may the administration discharge on its own initiative disabled veterans and persons with occupational disabilities; this can be done only when absolutely no other decision can be taken.

**Under labor legislation workers may not be laid off at the management's initiative except in cases of complete liquidation of the enterprise during sick leave or when the workers are on their annual vacation.**

**Question:** Who has preference in avoiding layoffs when the size of the labor force or the number of job slots is being reduced?

**Answer:** Under Article 34 of the RSFSR Labor Code and the relevant articles of the labor codes of the union republics, when the size of the labor force or the number of job slots is being reduced, those who have higher skills and labor productivity have preference in avoiding layoffs. When workers have equal labor productivity and skills, preference is given to those with families who have two or more dependents; to those whose families do not include other workers with an independent income; to workers with lengthy uninterrupted service at the given enterprise, to established workers; to workers who have been mutilated in a job accident or have contracted an occupational disease at the given enterprise, and also those who improved their qualifications in higher and secondary specialized educational institutions while still working, to disabled veterans and members of the families of military personnel and Partisans who were killed or missing in action in defending the USSR.

Preference in avoiding layoffs may be given only when the worker's prior right has been defined. It is this that serves as the basis for settling the question of reassignment of workers.

It follows from the context of the law that when the number of job slots or the size of the labor force is reduced, the management has the right to reassign workers in order to keep the best-qualified personnel. When a job of a skilled worker is eliminated, it has the right to transfer that worker with his consent to another position and to remove from it a person who is less qualified. Here it is important to note that only a transfer is possible, not the hiring of a new worker.

**Question:** What requirements have to be met by a job which the management is obligated to propose to a worker when his position has been eliminated?

**Answer:** Under Article 13 of the Bases of Labor Legislation a change in even one of the conditions of the labor contract (for example, changing the amount of work, qualifications, the wage level) is regarded as a transfer to another job requiring the worker's consent. Thus in settling the question of laying off a worker when the number of workers or job slots is reduced, the management must propose to the worker any other job at the same enterprise which he can do in view of his specialty, qualifications, experience, and state of health.

In a decree dated 26 April 1984 the Plenum of the Supreme Court (BYULLEHEN VERKHOVNOVO SUDA SSSR, No 3, 1984) required enterprise management to furnish evidence to the effect that the worker had refused transfer to another job or that the management was unable to transfer the worker to another job with his consent at the same enterprise. For example, minutes of the meeting of the trade union group or trade union committee recording the proposals of the

administration for the transfer and the worker's response might serve as such evidence or affidavits by persons in whose presence the proposals for the transfer were made, and so on.

Question: In what form is the management's request made to the trade union committee to consent to laying off a worker at the management's initiative?

Answer: Dissolving the labor contract with a worker because of reduction of the size of the labor force or elimination of job slots is one of the varieties of discharge at the management's initiative. This discharge is permitted only with prior consent of the trade union committee except in cases envisaged by legislation. Failure to adhere to this rule is a violation of law, and the worker laid off is subject to immediate reinstatement in his previous job.

But the law does not establish a particular form in which the management addresses the trade union committee to request consent for discharging workers.

From our standpoint the management's communication to the trade union committee should take the form of a representation. Incidentally, that is the form recommended in the comments to the Statute on the Rights of the Enterprise Trade Union Committee approved by a ukase of the Presidium of the USSR Supreme Soviet on 27 September 1981 in the version of the ukase dated 5 May 1982 (the rights of the trade union committee, comment edited by V.Z. Shchegel'skiy, Profizdat, 1983, p 144).

The management submits to the trade union committee a representation requesting its consent to laying off a worker in which it indicates its data, the grounds (motives) for the layoff, and it appends the relevant documents. The representation is signed by the manager or a person who has been given the right to hire and fire.

The trade union committee must clarify whether the number of workers or job slots is actually being reduced, it must request the necessary documents confirming this fact, it must check whether the worker's preferences have been taken into account, whether another job has been offered him, and so on. The trade union committee has the right to call witnesses and specialists to its session, to obtain clarifications or conclusions which have importance to proper settlement of the question.

Question: Is it mandatory for the worker himself to attend the meeting of the trade union committee?

Answer: The trade union committee is required to invite a representative of the management and the interested worker to the meeting in which it will take up the question of his layoff. But if the worker does not appear at the meeting and no sound reasons are given, the trade union committee may take up the matter even in his absence.

Question: Is it necessary to obtain consent of the trade union committee for a layoff at the management's initiative of a worker who is not a trade union member?

**Answer:** Yes. The consent of the trade union committee is required for the management on its own initiative to lay off a worker who is not a member of the trade union and also a nonstaff worker on the same grounds as for any other worker.

Under a decree of the Presidium of the USSR Supreme Soviet dated 30 September 1965 (VEDOMOSTI VERKHOVNOGO SOVETA SSSR, No 40, 1965, p 586) consent of the trade union committee is not required when the management lays off workers at its own initiative which have occupied the positions indicated on List No 1 of worker categories, whose labor disputes concerning questions of discharge, altering the statement of the grounds of the discharge, transfer to another job, and pronouncement of disciplinary penalties have been resolved by higher-level authorities to which the enterprise is subordinate (VEDOMOSTI VERKHOVNOGO SOVETA SSSR, No 22, 1974, p 325); those occupying positions filled on the basis of a competition if these persons have been removed because they were not elected to a new term or have been duly proclaimed as unfit for the position they hold regardless of whether they were hired on the basis of a competition or have temporarily occupied the position without going through a competition; persons discharged under regulations on discipline unless the regulations envisage consent of the trade union committee; workers who have been combining jobs, with respect to the second position or job; convicted persons sentenced to imprisonment and corrective labor elsewhere than in the workplace or to some other penalty the serving of which makes it impossible for them to continue the job they hold.

**Question:** What decisions can be taken by the trade union committee concerning the representation of the management to lay off a worker at its own initiative?

**Answer:** If the trade union committee concludes that the worker may be laid off, it must clearly express its consent in a decree, for example: "Consent is granted to the layoff of Comrade M.P. Ivanov, senior engineer in the engineering department, on the basis of elimination of the job slot (Point 1, Article 33, of the RSFSR Labor Code)."

In the absence of legitimate grounds for discharge or in a case when the trade union committee finds the layoff inadvisable or irregular, the decree must state: "Consent is not granted the administration to lay off Comrade M.P. Ivanov, senior engineer in the engineering department, on the basis of elimination of the job slot." Such a refusal by the trade union committee is final; the management is not entitled to appeal it to a people's court. A higher-level trade union body may not overturn the decree of the trade union committee; nor may a protest be filed with the authorities of the procurator's office. But if the trade union committee concludes that it is not possible to lay off the worker on the grounds indicated by the management, it may not itself choose other grounds. For instance, if the management has raised the question of laying off a worker on the basis of elimination of job slots, then the trade union committee cannot grant consent to laying off the worker for being idle or on some other grounds.

**Question:** What makeup of the trade union committee is considered competent to decide on laying off a worker at the management's initiative?

**Answer:** I would like to call particular attention to the fact that the law looks upon consent of the trade union committee as a collegial body. For the chairman of the trade union committee to initial a layoff order without the question being duly taken up does not express the consent of that body and therefore is not considered legal.

Under Article 21 of the Bylaws of USSR Trade Unions and the clarification given in Point 5 of the decree of the Plenum of the RSFSR Supreme Court dated 19 June 1979 (BYULLETEN VERKHOVNOGO SUDA RSFSR, No 11, 1984, p 10), a session of the trade union committee in which at least two-thirds of its members take part is considered competent to discuss the petition of an enterprise management to dissolve a labor contract with a worker on its own initiative. In case of retirement of certain members of the trade union committee because they have been discharged or for other reasons, a session is considered competent until elections are held to fill the vacancy if two-thirds of the remaining members of the committee participate.

In organizations in which the trade union has less than 15 members and in which a trade union organizer is elected, workers and employees may not be discharged on the initiative of the administration without his prior consent except in the cases envisaged by USSR legislation (Statute on the Trade Union Organizer, adopted by decree of the Presidium of the AUCCTU on 21 June 1982, "Spravochnik profsoyuznogo rabotnika USSR" [Trade Union Worker's Manual], Moscow, 1983, p 504).

Dissolution of the labor contract which violates these requirements is unlawful, and the worker laid off is subject to reinstatement in his previous job. Moreover, the responsible person guilty of this discharge which has patently violated the law is required to reimburse the enterprise for the loss incurred to pay the worker unlawfully laid off wages during the time of his enforced idleness.

**Question:** How soon must the trade union committee grant consent for a worker's layoff?

**Answer:** We should first of all bear in mind that the consent of the trade union committee is effective only when it precedes the issuing of the order on the layoff. Otherwise it does not have legal force. In cases when the management discharges workers in violation of the law without consent of the trade union committee and addresses the latter after the order on the layoff has been issued, the trade union committee must not take those applications under consideration.

The management has the right to dissolve a labor contract with a worker on the basis of elimination of a job slot no later than 1 month from the date of receiving the consent of the trade union committee for his discharge. That period begins to run on the day following the day when the consent was granted to the layoff. If the last day of the period falls on a nonworking day, the date of expiration of the period of time is taken to be the next working day. A worker's sick leave or vacation do not interrupt the monthly period during which the management which has obtained consent of the trade union committee is entitled to dissolve the labor contract.

**Question:** Does the discharge of certain worker categories require additional agreement from certain authorities?

**Answer:** In order to prevent unjustified dismissals of certain worker categories additional guarantees have been established which prevent dissolution of the labor contract on the management's initiative without consent of certain authorities (in addition to the enterprise trade union committee).

These include laying off workers and employees under age 18, which can be done only with consent of the trade union committee with concurrence of a representative of the enterprise Komsomol committee and also with the consent of the rayon (city) commission for the affairs of minors. In such a case the dismissal takes place only in exceptional cases and is not allowed without subsequent job placement (Article 82 of the Bases of Labor Legislation).

Laying off young specialists assigned to jobs under the distribution that takes place upon completion of school requires in addition to adherence to the general procedure the permission of the ministry (department) with jurisdiction over the given enterprise (Point 49 of the Regulation on Interrepublic, Interdepartmental, and Individual Distribution of Young Specialists Graduating From Higher and Secondary Specialized Educational Institutions, adopted 22 July 1980 by USSR Gosplan, USSR Minvuz, and USSR Goskomtrud (BYULETEN NORMATIVNYKH AKTOV MINISTERSTV I VEDOMSTV SSSR, No 5, 1981, p 40)).

Dismissal of trade union committee chairmen and members who have not been relieved of their productive jobs may take place on initiative of the management only with consent of the higher-level trade union authority. Dismissal of trade union organizers on the management's initiative is allowed with consent of the higher-level trade union authority (Article 99 of the Bases of Labor Legislation).

In case of dismissal of the chairman of the people's control group of the enterprise prior consent of the rayon, city, or city rayon people's control committee is required (Article 29 of the Law on People's Control in the USSR, dated 30 November 1979, VEDOMOSTI VERKHOVNOGO SOVETA SSSR, No 49, 1979, Item 840).

**Question:** How long does a worker laid off in connection with reduction of the size of the labor force or job slots retain his uninterrupted longevity of work service?

**Answer:** Under the Rules on Computation of Uninterrupted Work Service of Workers and Employees in Connection With Awarding Benefits Under State Social Insurance, approved by Decree No 252 of the USSR Council of Ministers on 13 April 1973 (SBORNIK POSANOVLENIY SSSR, No 10, 1973, p 51), the work service is not interrupted in the case of persons laid off because an enterprise has been liquidated or the number of workers or number of job slots has been reduced if they take up other employment within 1 month.

In the case of persons eliminated from the administration in connection with carrying out measures under decisions of the USSR Government to improve the

organization of management of industry and other sectors of the economy, work service is continuous if they take new employment within 3 months.

Question: Is severance pay paid to a worker discharged on grounds of elimination of job slots?

Answer: Under Article 19 of the Bases of Labor Legislation, when a labor contract is terminated because of liquidation of an enterprise or reduction of the size of the labor force or number of job slots, workers are paid severance pay in the amount of 2 weeks' average earnings.

Question: What is the procedure for taking up labor disputes related to laying off workers to reduce the size of the labor force or the number of job slots?

Answer: Suits for reinstatement of workers and employees whose labor contract has been dissolved at the management's initiative are taken up directly in the people's court without being referred to the commission for labor disputes and the trade union committee. Under Article 90 of the Bases of Labor Legislation workers and employees may file suit with the court for reinstatement within 1 month from the date of being served the layoff order, and if the order was not served, from the date when their workbook was presented with the entry on the grounds for termination of the labor contract or from the date when the worker refused to accept the dismissal order, accounting, or workbook. Workers laid off to reduce job slots whose positions are on List No 1 constitute an exception to this rule. Under Article 98 of the Bases of Labor Legislation, the labor dispute on such a dismissal will be taken up not by the people's court, but by the higher-level authority.

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## LABOR

### EFFECTS OF PERSONNEL REDUCTION, TURNOVER IN UkrSSR INDUSTRY

Kiev EKONOMIKA SOVETSKOY UKRAINY in Russian No 1, Jan 86 pp 80-83

[Ye. Marchenko, docent, candidate of economics (Vinnitsa): "Ways of Reducing Personnel Turnover and Shortages in Industry"]

[Text] The Communist Party constantly emphasizes that in the conditions of the 1980's a careful and economical attitude toward labor resources, the rational use of which is a large reserve for increasing production efficiency and, above all, labor productivity in the national economy, is acquiring special significance. An exceptionally important source for improving the utilization of labor resources is the reduction in personnel turnover.

Specialists think that in industry the losses in labor productivity growth because of turnover amount to 8 percent a year. (Footnote 1) (Cf. "Where to Look for Reserves? SOTSIALISTICHESKAYA INDUSTRIYA, 17 May 1981). For this reason, the stabilization of the collectives is an important factor in the intensification of production and the successful fulfillment of the national economic tasks. In conducting work in a given direction, the objective necessity of some personnel mobility must be taken into account. The task consists in seeing to it that the process of the change of the work place takes its course with minimal losses for society. In its solution it is impossible to manage without a unified system of job placement. A large role is being assigned to the bureaus for job placement and information of the population, a network of which has been created in the country. These organizations have at their disposal information about the presence of available jobs and vacancies, about the character and conditions of work, its pay, and the social and everyday living possibilities of the enterprises.

During the operation of the bureau in Vinnitsa (since 1977), employment for approximately 20,000 persons was arranged with its assistance. (Footnote 2) (According to data of the department for the utilization of labor resources of the Vinnitskiy Oblispolkom). For people making use of the services of the bureau, the expenditure of time for arranging employment comes to 3-4 days instead of 25 on the average for those who arrange work for themselves independently. Nevertheless, only 18-20 percent of those who are seeking arrangements for work are up to now turning to the services of the bureau. Moreover, the bureau satisfied only 27-30 percent of those who turned to its services. You see, by far not all enterprises and institutions send to the bureau practical information about the presence of available jobs and vacancies. To improve the system

of the organization of job placement for the population, the party gorkom and gorispolkom adopted a joint decree aimed at the improvement of the utilization of labor resources in the city, in which a single procedure for all enterprises, organizations and institutions was established for acceptance for work only through the bureau (with the exception of some categories of workers). This is exceptionally important now when the task of "increasing the role of the local organs for labor and the bureau for job placement of the population in the matter of the rational utilization of labor resources, the most rapid job placement of citizens, the strengthening of labor discipline, and the reduction in personnel turnover" has been placed on the agenda. (Footnote 3) (Decree of the USSR Council of Ministers and the AUCCTU "On Additional Measures to Strengthen Labor Discipline," PRAVDA, 7 August 1983).

The results of sociological research show that, among those dismissed at their own will, more than half are young workers, with 1-2 years in length of service. During this period, young workers are in need of increased attention on the part of the collective and administration. It is very important for the graduate of a school or vocational-technical school, who has come to an enterprise, not to get lost in the collective, to find his place, and to feel his usefulness.

The adaptation of young people serves as the subject of special attention of party and public organizations of Vinnitskaya Oblast. First of all, the following plants should be mentioned: The tool-making, tractor unit, Kalinovskiy Machine Building, and Terminal plants; the Vinnitskaya Confectioner's Factory, the Vinnichanka Production and Art Association, and others. Here measures are being carried out that are aimed at the growth of the qualifications and professional skill of young workers and their introduction to the life of the collective, special training resources are being allotted to young people, clubs to pursue interests, sports centers and amateur art and drama collectives are being created, and various forms of political and cultural education work are being widely utilized.

One of the most important prerequisites for the creation of stable labor collectives in a number of progressive enterprises of Vinnitskaya Oblast is the broad introduction, in production practice, of a system of professional and skill advancement for every young person, which has been proved by time and has shown itself to be effective. This system proposes the systematic filling of vacancies involving skilled labor with young workers. The young worker knows that, after obtaining the initial fictions and acquiring the necessary production experience, he will be able to move up to more difficult and highly-paid work. Uninteresting types of work are regarded by them as a necessary stage in the achievement of professional mastery.

The practice of the works of the industrial enterprises of Vinnitskaya Oblast provides convincing evidence that personnel turnover is significantly lower in those collectives where the conditions of work, everyday life, and rest of people are at the center of attention of the leadership and public organizations. One can trace what has been said in the example of the Vinnichanka Production and Art Association. Bright and spacious plants with a high level of aesthetic styling create a favorable environment for fruitful work. At the service of the workers are the following: A first-aid room, rooms for women's

hygiene, a special beauty salon, a barber's shop, and factory dining-hall with seating space for 200 that operates in two shifts. Here one can obtain various products and convenience foods. The successful solution of the questions of the social development of the association was an important prerequisite for the stabilization of the collective. The coefficient of personnel turnover is now 6.2 percent lower than the average for the industry of the oblast. And this in conditions when 95 percent of all those working are women, primarily young ones, among whom turnover is usually the highest.

The experience of a number of industrial enterprises of Vinnitsa indicates that personnel turnover in many ways is promoted by a healthy moral and socio-psychological climate. Of interest, from this point of view, is the creation of the constantly operating information and inquiry services "Your Mood" (Terminal Production Association) and "Your Opinion" (Oktyabr' Production Association), the task of which is to control the socio-psychological climate of the collective. The indicated systems allow every worker to turn at any time through special information channels officially or anonymously with questions, suggestions or complaints to the administration. All information received is without fail registered in a special journal, is grouped by subject matter and order of priority of examination, and is then sent to the plant worker who is responsible for the solution of the corresponding problems. The measures taken are reported to every worker who has made a suggestion, filed a complaint or raised a question. In addition, the answers to questions or the decisions of the administration are conveyed to the workers of the association through information display cases, stands of the "Your Opinion" service, plant newspapers, and are announced on the plant radio system. The organization of such services secures the reduction of the number of conflicts, the removal of tension in the collective, and, in the final analysis, has a positive effect on the attachment of personnel.

In the matter of the reduction of personnel turnover, it is difficult to overestimate the role and significance of the improvement of ideological and political education work. A special role in the formation of the individual, the development of ideological conviction and conscious labor discipline is assigned to the system of political and economic education. The high ideological education and organizational level of studies in the collective of the Vinnitsaenergo [Vinnitsa Power] Production Association, where 95 percent of the workers are encompassed by all of its types, deserves attention. In accordance with the demands of the party, the structure of the Marxist-Leninist studies of communists was creatively examined here, and it became more objective also in the system of general economic education. Specialists of the association with higher education, in 8 schools of scientific communism, are taking the course "The Perfection of the Economic Mechanism". Workers, employees, and a part of the specialists with secondary education, in 7 schools of the foundations of Marxism-Leninism, are studying the economic policy of the CPSU. More than 60 members of the party are working as propagandists. Political and economic studies, which are perfected in the association year in, year out, exert a positive influence on the solution of socio-economic tasks and on the formation of a stable collective. It is characteristic that in recent years there was a threefold reduction in personnel turnover for the association.

The intensity of turnover is conditioned to a significant degree by the disproportion between the availability and demand for labor resources. We are talking

above all about a relative shortage of manpower. At the same time, in a number of enterprises there is an above-plan number of workers. In 1981 there were 324 persons above the limit in 73 enterprises of Vinnitskaya Oblast. Of 200 enterprises of Khmel'nitskaya Oblast checked in 1981, in 70 there turned out to be about 1,000 workers above the established limits. (Footnote 4) (Cf. EKONOMICHESKAYA GAZETA, No 28, 1982, p 12). Many such examples can be cited.

Managers go for the maintenance of excess workers because of the fact that the practice exists of diverting many workers and employees for agricultural work, the maintenance of summer children's institutions and other such measures, as well as the fact that in the course of the year the production plans frequently change in the direction of an increase, and because of the violation of the deadlines for material-technical supply production irregularity arises, which also calls forth a demand for additional manpower.

The excess of workers in many enterprises is caused by the low quality of the existing output norms, as well as the service norms on the basis of which the calculation and planning of the number of workers are conducted. We took about 100 photographs of the work day in two basic shops of the Vinnitska Electro-technical Plant. They showed that the intrashift losses of working time for various reasons amounted on the average to more than 34 percent. In so doing, the norms are fulfilled on the average to the extent of 122-126 percent. The maintenance of wittingly superfluous workers leads to the deterioration of labor discipline and the increase of personnel turnover.

A decisive method for overcoming the shortage of personnel and the reduction of personnel turnover is a cardinal increase of labor productivity and the freeing of a large quantity of working hands on the basis of the broad introduction of the achievements of scientific-technical progress in the national economy. In so doing, paramount significance is being given to the mechanization and automation of production. The solution of the problems mentioned is promoted to a significant extent by the realization of the goal-oriented integrated Trud Program. In accordance with it, in the 11th Five-Year Plan labor productivity in the national economy of Vinnitskaya Oblast increased by 9.7 percent (Footnote 5). According to data of the department for the utilization of labor resources of the Vinnitskiy Oblispolkom), the number of workers engaged in manual labor decreased by 40,300, in industry 83,300 persons were encompassed by the brigade form of labor organization and stimulation with payment on the basis of final results, and there has been a significant decrease in the losses of working time and the turnover of worker personnel. The majority of measures envisaged by the program have been implemented. A total of 145 automatic transfer production lines and 126 integrated mechanized and automated installations have been introduced, and 23,700 persons have been transferred to mechanized work. In industry, 63,100 persons have been encompassed by the brigade form of labor organization and stimulation with payment according to the final result. Integrated brigades, which constitute 46.6 percent of their total number, received further development. For the improvement of the conditions of work, everyday life and rest of the workers, 71.8 million rubles were expended. Among the enterprises of the oblast which are successfully fulfilling the measures of the integrated Trud Program, one can include the Vinnitskiy Instrument Plant, the Terminal Production Association, and others.

One of the chief directions of scientific-technical progress is the extensive automation of production methods on the basis of the use of automatic machine tools, machines and mechanisms, robot technology complexes, and computer technology. This direction, for example, is being followed by the collective of the Vinnitskiy Terminal Production Association. Here they see the future of production in robots. In the existing production, they are being established, above all, in operations that are monotonous, heavy and harmful for the health of the human being. Special stress is also laid on the robotization of labor-intensive processes. The robotization of new manufacturing processes includes the production of parts, as well as the assembly of units and finished products. For example, in 1983 9 new industrial robots and 27 manipulators were introduced at Terminal. (Footnote 6) (Cf. A. Mokhnatyuk, "Ye robota dlya robota" [Work for the Robot] VINNITSKA PRAVDA, 10 March 1984). This made it possible to create a robotized section for the tinning of transistors and to automate a stamping section, at which labor productivity increased by a factor of more than 1.5. (Footnote 7) (Cf. G. Stebnovska, "Roboti idut u tsekhi" [Robots Go Into the Plant] VINNITSKA PRAVDA, 16 October 1986).

Last year, the introduction of 40 robots and manipulators in various production sections was planned at Terminal. (Footnote 8) (Cf. A. Mokhnatyuk, op. cit.). And this difficult task was successfully carried out.

In the Oktyabr Association, robotized complexes for the control of product parameters on the basis of automatic manipulators of the Zond type have found application. With their help, heavy manual labor during the manufacture and transportation of glass enclosures and television tubes and in the execution of a whole series of other manufacturing operations was eliminated. In the five-year plan that has been completed, the collective of the association had to introduce 15 robot technology complexes, which would free 38 persons from manual work and, in conjunction with other means of mechanization, would make it possible to lower the proportion of workers engaged in manual labor to 25 percent. (Footnote 9) (Ibid). Work has begun on the introduction of robot technology at GPZ [Gas Processing Plant]-18, which is successfully working on the calibration of separators. At the Vinnitskiy Instrument Plant, a robot mills faces and drill centers the blanks for reamers.

An effective measure to reduce the shortage of workers and stabilize labor collectives is the introduction of progressive forms of labor organization and payment in economic practice. For example, the use of the Shchokino method made it possible, in the Vinnitskiy Chemical Plant, to reduce the number of workers in 7 years and more by 14.5 percent. The Vinnitskaya Telegraph and Telephone Station is the first and to date the only enterprise of the communications system of the republic which works in accordance with the Shchokino method. During 3 years of working in the new way, a significant effect was obtained here: If 681 persons are required by the norms for the operation of the equipment, now this work is being carried out by 587--with an increase of the quality indicators by 0.35 points. The experience of the work of the communications workers of Vinnitsa is already being borrowed by their colleagues from Simferopol, Chernovits, Nalchik and other cities of the country. The introduction of the Shchokino method made it possible to increase not only the economic indicators, but also the interest of the workers in the deepening of their professional knowledge

and the responsibility of everyone for the quality and results of personal and collective work.

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## LABOR

### ECONOMIC INCENTIVE, INDUSTRIAL DEVELOPMENT STATUTES PUBLISHED

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[Model statutes adopted by USSR Gosplan, USSR Minfin, USSR Goskomtrud, and AUCCTU: "The Material Incentive Fund in the 12th Five-Year Plan"; first two paragraphs are EKONOMICHESKAYA GAZETA introduction]

[Text] USSR Gosplan, USSR Minfin, USSR Goskomtrud, and AUCCTU have adopted the "Model Statute on Procedure for Formation and Use of the Material Incentive Fund (Unified Material Incentive Fund) in the Industrial Sector for the 12th Five-Year Plan." It was drafted so as to take into account the experience of ministries, associations, and enterprises in the area of stimulating various branches of industry and the experience of ministries, associations, and enterprises under the new conditions for the conduct of economic activity, and also to take into account the measures envisaged by Decree No 669 of the CPSU Central Committee and USSR Council of Ministers dated 12 July 1985 and entitled "On the Broad Spread of New Methods of Economic Activity and Strengthening Their Impact Toward Speeding up Scientific-Technical Progress," which was aimed at strengthening the motivation of workers of all branches of industry concerning the final results of their work and above all to reduce production costs, to increase profit and to improve other indicators characterizing the effectiveness of their work.

The present model statute extends to all industrial ministries (departments), associations, and enterprises in the industrial sector except ministries, associations, and enterprises of local industry, the size of whose material incentive fund is determined in accordance with the procedure adopted for them.

#### I. Procedure for Formation of the Planned Material Incentive Fund

1. The material incentive fund of ministries (departments), associations, and enterprises is formed in the 5-year and annual plans on the basis of rates of growth of that fund for every percentage point of growth (reduction) of the fund-forming indicators by comparison with the base year.

2. The following indicators shall be adopted as the fund-forming indicators for formation of the material incentive fund:

i. for ministries (departments), associations, and enterprises of industrial branches in Group "A" (except the petroleum, coal, gas, and power industries)--the marginal level of costs per ruble of commodity output;

ii. for ministries (departments), associations, and enterprises in industrial branches of Group "B"--profit (calculated profit).

So as to take into account the peculiarities of the particular branches the material incentive fund may also be formed on the basis of other rates: rates per unit of output in physical terms, the rates of growth of the total amount of the material incentive fund on the basis of other fund-forming indicators.

3. The rates of formation of the material incentive fund shall as a rule be established in the following proportions for ministries (departments), associations, and enterprises:

i. 5 percent of the growth (reduction) of the material incentive fund relative to the plan of the base year for each percentage point of reduction (growth) of the marginal level of costs per ruble of commodity output by comparison with the plan of the base year;

ii. 1 percentage point of growth (reduction) of the material incentive fund for every percentage point of growth (reduction) of profit relative to the plan of the base year. In ministries (departments), associations, and enterprises in which profit has been adopted as the fund-forming indicator, when profit increases (decreases) from 10 to 15 percent, this rate is reduced by 30 percent; when profit increases (decreases) by more than 15 percent, the rate is reduced by 50 percent.

4. For ministries (departments) of the USSR and the union republics the fund-forming indicators and also the levels of the rates of formation of the material incentive fund shall be set by USSR Gosplan and by the gosplans of the respective union republics in agreement with USSR Minfin and the minfins of the union republics and the AUCCTU (trade union councils of the respective republics).

The fund-forming indicators for associations and enterprises that are a function of the specific nature of the operation of those associations and enterprises and also the levels of the rates of formation of the material incentive fund shall be set by ministries (departments) in agreement with the respective trade union committees (councils).

In agreement with the respective trade union committees (councils) ministries (departments) may in the necessary cases differentiate the levels of the rate established in accordance with Point 3 of this Model Statute for production associations (enterprises) within the limits of the rate established for the ministry (department) as a whole.

In agreement with the respective trade union committees (councils) the ministry (department) may set higher rates for formation of the material incentive fund of production associations (enterprises) which on the basis of improved

efficiency of work stations have achieved an increase in the output-capital ratio and improved utilization of production capacities within the limits of the rates set for the ministry (department) as a whole and also to augment additionally the material incentive fund of production associations (enterprises) which are among the winners in all-union and republic socialist competition, to be financed from the reserve (the centralized fund) of the higher-level organization.

5. The rates of formation of the material incentive fund shall be broken down as part of the reference figures to the level of ministries (departments), associations, and enterprises well before the beginning of compilation of the 5-year plan, and in the necessary cases they may be revised when that 5-year plan is drafted. The rates fixed in the 5-year plan shall not be changed or reset.

6. When ministries (departments), associations, and enterprises are adopting fund-forming indicators in annual plans at or above the level envisaged by the 5-year plan for the next year (with respect to the indicator of the marginal level of costs per ruble of commodity output--lower), the total size of the material incentive fund shall be determined according to rates established pursuant to Point 3 of this Model Statute.

When in annual plans targets for the marginal level of costs per ruble of commodity output are exceeded, and also when the growth of profit or other fund-forming indicator envisaged in the 5-year plan for the next year is reduced, the material incentive fund of ministries (departments), associations, and enterprises shall be determined according to rates established pursuant to Point 3 of the present Model Statute diminished by at least 30 percent.

The specific proportion of the reduction of the growth rates of the material incentive fund shall be established by the higher-level organization in agreement with the respective trade union committees (councils).

7. The absolute size of the material incentive fund shall be determined in the plan for the next year by adding the total amount of that fund according to the plan of the base year (excluding the amount of the material incentive fund committed to stimulating the production of consumer goods per ruble of wages) and the total amount of the growth (reduction) computed at the rate pursuant to Point 6 of this Model Statute for each percentage point of increase (decrease) of the fund-forming indicator envisaged in the plan by comparison to the level of the base year.

8. The year preceding the year being planned shall be the base year for determination of the planned size of the material incentive fund for the next year.

9. The total size of the growth (reduction) of the material incentive fund shall be calculated by multiplying the rate set pursuant to Point 6 of this Model Statute by the size of the material incentive fund according to the plan of the base year (not including the total amount of the material incentive fund committed to stimulation of the production of consumer goods per ruble of

wages) and by the percentage of reduction (increase) of the fund-forming indicator envisaged in the plan for the coming year compared to the plan of the base year.

Here the percentage of reduction (increase) of the fund-forming indicator in the year being planned as compared to the base year is determined in comparable prices and conditions.

10. In those cases when the plan for the coming year envisages an increase in the marginal level of costs per ruble of commodity output compared to the base year, the material incentive fund in the plan for the coming year is determined by subtracting from the total amount of the material incentive fund according to the plan of the base year that amount calculated by multiplying the rate set pursuant to Point 6 of this Model Statute by the size of the material incentive fund according to the plan of the base year and by the percentage of increase of the marginal level of costs per ruble of commodity output in the plan for the coming year by comparison to the previous year.

The total amount of the material incentive fund according to the plan of the base year of production associations (enterprises) may be retained or reduced in smaller proportions than envisaged by this point if in the planning year a growth of profit is envisaged by comparison to the base year. This procedure shall also be applied in cases when in the planning year a rise in the marginal level of costs per ruble of commodity output or reduction of profit are envisaged in the year being planned (if these indicators are the fund-forming indicators) by comparison with the previous year, but the targets of the 5-year plan for those indicators shall be fulfilled. The total amount of this reduction shall be reimbursed out of the reserve (centralized fund) for the material incentive fund of the ministry or all-union (republic) industrial association.

11. The size of the material incentive fund according to the plan of the base year fixed pursuant to Points 7 and 10 of this Model Statute shall be retained when the size of that fund according to the plan for the coming year is determined if the rates of growth of labor productivity in the annual plan exceed or equal the average annual growth rates of labor productivity over the period 1981-1985.

If that condition is not met, the material incentive fund of the base year shall be reduced by at least 1 percentage point for each percentage point of reduction of the growth rate of labor productivity fixed in the plan from the average annual growth rates of that indicator over the period 1981-1985. Here the growth of labor productivity in the plan for the year shall be determined as the average annual value for the period from the beginning of the 12th Five-Year Plan.

The actual proportion of reduction of that fund shall be established by the higher-level organization in agreement with the respective trade union committee (council).

Reduction of the base material incentive fund pursuant to this point may be omitted for certain production associations (enterprises), if in the year being planned the target for the rise of labor productivity calculated on a cumulative basis from the beginning of the 5-year period is envisaged at the level or higher than the targets of the 5-year plan for the respective year. The list of such associations (enterprises) shall be drawn up by the ministry when annual plans are approved.

The procedure for reducing the base material incentive fund envisaged by this point shall not be applied with respect to those production associations (enterprises) which are not assigned targets of the 5-year plan for the rise of labor productivity.

12. The material incentive fund calculated pursuant to Points 1-11 of this Model Statute shall be additionally increased in the plan by the amount committed to stimulation of the growth of production of consumer goods of production associations (enterprises) specializing in the output of products for industrial purposes, in accordance with the procedure established by the Statute on Stimulation of Growth of Production of Consumer Goods and Fulfillment of Targets Assigned for Production of Those Goods Per Ruble of the Wage Fund and the Rise of Their Quality, approved by USSR Gosplan, USSR Minfin, USSR Goskotrud, and AUCCTU on 21 August 1985 (No SA-38-D).

13. An additional material incentive fund intended for stimulation of workers involved in bringing new production capacities up to rated capacity shall be allocated to ministries (departments), associations, and enterprises bringing such facilities up to rated capacity.

These amounts of the fund shall be set aside on a separate line in the plan.

The size of the additional fund shall be determined in the annual plan so as to take into account the time allowance and level of attainment of rated capacity envisaged by Decree No 95 of USSR Gosplan dated 10 May 1984, with its supplements.

Upon expiration of the allowed period for achieving rated output from new principal production capacities the additional material incentive fund shall not be allocated for incentives of workers engaged in bringing those capacities up to rated output.

14. Ministries (departments) and all-union (republic) industrial associations shall within the limits of the total size of the material incentive fund calculated in accordance with the assigned rates and fund-forming indicators in the plan for the coming year envisage planned amounts of transfers to reserves (the centralized fund) for the material incentive fund, to be formed out of the profit of production associations (enterprises).

The total size of the material incentive fund and of the reserve (centralized fund) for the material incentive fund shall be envisaged in the balances of income and expenditures (financial plans) of ministries (departments), associations, and enterprises.

The total amount of the reserve for the material incentive fund of ministries (departments) together with the centralized funds of all-union (republic) industrial associations may not exceed 15 percent of the total size of the material incentive fund for the ministry (department) as a whole.

The resources of the reserve (centralized fund) for the material incentive fund shall be defined in the plan and used according to the procedure set forth in the Statute on Formation and Use of Reserves (Centralized Funds) for Incentive Funds of Ministries (Departments) and All-Union (Republic) Industrial Associations, approved by the Interdepartmental Commission of USSR Gosplan on 10 April 1981 (Protocol No 372-b).

15. The material incentive fund shall be envisaged in the financial plan of ministries (departments), associations, and enterprises by quarters in proportion to the quarterly distribution of the volume of output and profit (wage fund). The need to adhere to economically sound relations between the growth rates of the average wage and the growth rates of labor productivity shall be taken into account here.

16. When targets in the plan for the fund-forming indicators are increased (reduced) during the year according to the established procedure, the total size of the material incentive fund envisaged in the financial plan according to the established rates shall be simultaneously increased (reduced).

17. The resources of the material incentive fund of production associations (enterprises) shall be duly placed at the disposition of production units, and they may also be placed at the disposition of production operations and shops. The procedure for placing these resources at the disposition of production operations and shops shall be established by the managers of these associations (enterprises) in agreement with trade union committees. Here the proportion of the resources transferred must be set as a function of the performance of those production operations and shops.

18. The material incentive fund of enterprises operating at a planned loss or low rate of profit shall be envisaged within the limits of the total size of that fund established in the annual plan for the ministry (department) as a whole.

The procedure for determining incentive funds at those enterprises shall be set forth by USSR Gosplan, USSR Minfin, USSR Goskomtrud, and AUCCTU.

## II. Procedure for Making Transfers From Profit to the Material Incentive Fund During the Year

19. Transfers from profit to the material incentive fund of production associations (enterprises) shall be made on a quarterly basis. When the plan for the fund-forming indicators and also the profit plan calculated cumulatively from the beginning of the year (for the quarter, semiannual, first 3 quarters, the year) have been fulfilled, the transfers shall be made in the proportions envisaged in the annual financial plan for the respective period.

For production associations (enterprises) operating on the basis of planned profit whose plan for certain quarters envisaged losses, transfers to the material incentive fund shall be made in the quarters for which profit is planned on the basis of the annual total amount of profit planned.

20. If planning targets for the fund-forming indicators are overfulfilled during the year (cumulatively from the beginning of the year), additional transfers shall be made to the material incentive fund at the full rate established pursuant to Point 3 of this Model Statute.

For production associations (enterprises) operating under the new economic conditions, additional transfers shall be made out of actual calculated profit remaining at the disposition of those associations (enterprises) according to the procedure established for its distribution.

For production associations (enterprises) not operating under the new economic conditions, additional transfers from profit to the material incentive fund shall be made out of and within the limits of above-plan profit according to the procedure established for its distribution.

When the plan for fund-forming indicators is underfulfilled during the year (cumulatively from the beginning of the year), the material incentive fund shall be reduced at the rates fixed pursuant to Point 3 of this Model Statute, increased by at least 30 percent.

21. Additional transfers (reduction of transfers) to the material incentive fund shall be made at rates representing percentages of the total amount of the material incentive fund according to the plan for the corresponding period from the beginning of operation in the current year.

22. In evaluating plan fulfillment with respect to fund-forming indicators for purposes of determining the size of transfers to the material incentive fund of production associations (enterprises), deductions shall duly be made from the actual volume of output produced (sold) and from the profit out of which transfers are made to the material incentive fund for the volume of products produced (sold) and profit, respectively, not taken into account in the plan and also for profit used and confiscated into the budget by special procedure.

23. In production associations (enterprises) the absolute size of transfers to the material incentive fund shall be additionally increased (reduced) as follows:

a) depending on fulfillment of the sales plan taking into account fulfillment of obligations for deliveries in accordance with contracts concluded and job orders accepted for filling.

Assuming complete fulfillment of contracts, the material incentive fund envisaged for the corresponding quarter in which obligations concerning deliveries have been fulfilled and underdeliveries for the previous period made up shall be increased by 15 percent for production associations (enterprises) operating

under the new economic conditions and increased by no more than 10 percent for production associations (enterprises) not operating under the new economic conditions.

In a case of fulfillment of the plan ahead of schedule in some quarter with the consumer's consent and a corresponding nonfulfillment of the delivery plan in the subsequent quarter (assuming fulfillment of the delivery plan on a cumulative basis from the beginning of the year, that increase of the material incentive fund shall be retained.

If production associations (enterprises) fail to discharge obligations pertaining to deliveries in accordance with contracts concluded and job orders accepted for filling, the material incentive fund envisaged for the corresponding quarter in the financial plan shall be reduced for production associations (enterprises) operating under the new economic conditions by 3 percentage points for every percentage point of nonfulfillment; for production associations (enterprises) not operating under the new economic conditions the decrease of this fund shall be made at rates of at least 2 percentage points for every percentage point of nonfulfillment of the plan for that indicator.

Moreover, for production associations (enterprises) operating under the new economic conditions, the resources of the material incentive fund made available shall be set aside in a reserve and used to increase by 15 percent the material incentive fund of those associations (enterprises) when in subsequent periods they fulfill targets and discharge obligations for deliveries of products contained in the quarterly plan for that indicator.

Should that reserve be insufficient for that purpose, the uncommitted calculated profit of production associations (enterprises) shall be used, and if it is insufficient, this increase of the material incentive fund shall be made by reducing transfers from profit to the budget, and if necessary by reducing the charge on productive capital.

For production associations (enterprises) not operating under the new economic conditions, the increase in the material incentive fund shall be made out of the reserve (centralized) fund of the ministry (industrial association) and in case those resources are insufficient, out of the above-plan profit of the production association (enterprise).

The rates of increase (decrease) of the material incentive fund in case of fulfillment (nonfulfillment) of delivery obligations in accordance with contracts concluded and job orders accepted for filling shall be established for production associations (enterprises) not operating under the new economic conditions by the ministry in agreement with the trade union committee.

The amount by which the planned material incentive fund has been reduced pursuant to the procedure envisaged by this point shall not be restored in subsequent periods;

b) as a function of fulfillment of the plan for production of products of high quality in production associations (enterprises) of the food, meat, and dairy

products industry. Here for every percentage point of overfulfillment (under-fulfillment) of the plan the material incentive fund shall be increased (reduced) by 1 percentage point of the planned material incentive fund for the respective period of the year.

24. In the course of fulfillment of annual plans additional transfers shall be made to the material incentive fund of production associations (enterprises) as follows:

a) for the relative share of consumer goods in the superior-quality category (goods bearing the state Quality Emblem if consumer goods are its principal product), and also for the volume of products of high quality in production associations (enterprises) of the food, meat, and dairy products industry.

For every percentage point of the relative share of consumer goods in the superior-quality category (goods bearing the state Quality Emblem) in the total volume of output transfers shall be made at a rate not to exceed 1 percent of the material incentive fund according to the plan for the respective period of the year.

Additional transfers to the material incentive fund of production associations (enterprises) of the food, meat, and dairy products industry shall be made at the rates fixed for those associations (enterprises) in kopecks per ruble of the volume of marketed output of high-quality products. Here the level of this rate shall be determined from the relative share of high-quality commodities in the total volume of marketed output in the base year, at a rate not to exceed 1 percent of the material incentive fund according to the plan of the base year and the volume of marketed output of products of high quality in the base year.

Here the total increase of the material incentive fund must not exceed 25 percent of the planned size of the fund envisaged for the respective period of the year (quarter, semiannual, first 3 quarters, the year).

Transfers shall be made to the material incentive fund of production associations (enterprises) operating under the new economic conditions out of actual calculated profit remaining at the disposition of those associations (enterprises) according to the procedure established for its distribution and out of above-plan profit for production associations (enterprises) not operating under the new economic conditions according to the procedure established for its distribution.

Should this profit in production associations (enterprises) be insufficient for those purposes, a portion of the resources of the reserve (centralized fund) for the material incentive fund of the ministry (industrial association) may be used.

The procedure envisaged for stimulating the output of consumer goods shall not extend to new consumer goods of improved quality if incentive supplements to their prices have been duly envisaged;

b) out of profit actually obtained from incentive supplements to wholesale prices for high-quality new products corresponding in their parameters to the best domestic and foreign examples and for products bearing the state Quality Emblem.

Production associations (enterprises) shall use the material incentive fund formed from additional profit they have actually obtained from incentive supplements to wholesale prices for products bearing the state Quality Emblem in accordance with the advance estimate of expenditure of the material incentive fund examined and approved by the work collective;

c) for growth of the volume of production of the children's assortment of goods at a rate not to exceed 3 percent of the planned material incentive fund for the respective period of the year (quarter, semiannual, first 3 quarters, year) for every percentage point of growth of the volume of production of the children's assortment of goods, calculated cumulatively from the beginning of the year, relative to the level of that indicator reported for the respective period of the previous year.

The actual level of this rate shall be established by the higher-level organization on a differentiated basis depending on the relative share of goods in the children's assortment in the total volume of output.

Additional transfers to the material incentive fund shall be made to increase production of the children's assortment of goods out of above-plan profit of production associations (enterprises), but in production associations (enterprises) operating under the new economic conditions they shall be made out of actual calculated profit remaining at the disposition of those associations (enterprises) according to the procedure established for its distribution.

Should this profit be inadequate, a portion of the resources of the reserve (centralized fund) for the material incentive fund of the ministry (association) may be committed to those purposes.

The material incentive fund of production associations (enterprises) manufacturing consumer goods which have a relatively low rate of profit and also inexpensive goods which by comparison with other types of goods afford a smaller volume of marketed output, but are in public demand, assuming they fulfill their contractual obligations for deliveries, may also be increased from the resources of the reserve (centralized fund) for the material incentive fund.

25. The material incentive fund shall be reduced by the sum total of costs to correct defects the customer has detected in products delivered and penalties for low quality.

Moreover, if products are returned to production associations (enterprises) because of low quality (including consumer goods), transfers to the material incentive fund envisaged in the plan for the respective quarter shall be reduced by no more than 5 percent for each percentage point of the low-quality products returned in the total volume of output. The actual level of reduction of transfers to the material incentive fund shall be established by the

ministry so as to take into account the specific nature of production and the list of products produced. The total amount of reduction of this fund by the size of costs of repairing defects and penalties paid for low quality may not exceed 20 percent of the size of the material incentive fund of production associations (enterprises) figuring as suppliers according to the plan for the given quarter.

26. The material incentive fund of production associations (enterprises) shall be reduced by the amount (not to exceed 70 percent) of discounts from wholesale prices on products for production and technical purposes taken away in connection with certification of the product in the first-quality category, but not to exceed 20 percent of the planned size of that fund envisaged in the financial plan for the respective quarter.

27. At the end of the year resources formed from the unused saving on the wage fund obtained by comparison with the established allowance or the planned wage fund shall be transferred to the material incentive fund if the production plan has been fulfilled for the indicator adopted for calculation of labor productivity and targets for the rise of labor productivity have been met. Moreover, for production associations (enterprises) converted to the new economic conditions these resources shall be transferred from actual calculated profit according to the procedure established for its distribution, while in the case of production associations (enterprises) not converted to those economic conditions, this shall be done within the limits of above-plan profit according to the procedure established for its distribution.

The resources transferred to the material incentive fund on the basis of the saving on the wage fund shall not be included in the base material incentive fund for purposes of determining the size of that fund in the plan for the coming year.

28. Production associations (enterprises) shall be assigned standard ratios between the growth of the average wage and the growth of labor productivity according to the procedure established by Decree No 862 of the USSR Council of Ministers adopted 1 September 1983. In cases when the target planned for the rise of labor productivity (by quarters--cumulatively from the beginning of the year) is not fulfilled by those associations (enterprises), and wages are being increased in larger proportions than envisaged by the standard ratio between the rise of labor productivity and the rise of the average wage, the respective portion of the resources of the material incentive fund shall be transferred to the reserve of the association (enterprise).

In cases when the planned target for the rise of labor productivity (by quarters--cumulatively from the beginning of the year) is fulfilled for production associations (enterprises), but wages have been increased in larger proportions than envisaged by that standard ratio, and this is causing the rise of the average wage to be greater than the rise of labor productivity, the respective portion of the material incentive fund shall be transferred to the reserve of the association (enterprise) according to the procedure envisaged by Point 8 of Decree No 778 of the USSR Council of Ministers dated 30 September 1968.

29. In case of nonfulfillment of the plan for fund-forming indicators, the material incentive fund of production associations (enterprises) shall be duly formed at a reduced rate. Here the minimum size of the material incentive fund may not be less than 40 percent of the size of that fund planned for the quarter in which nonfulfillment of the plan occurred. These minimum transfers to the material incentive fund shall be made for production associations (enterprises) operating under the new economic conditions out of actual calculated profit remaining at their disposition according to the procedure established for its disposition, and for production associations (enterprises) not operating under the new economic conditions, this shall be done out of and within the limits of the actual profit according to the procedure established for its distribution.

In case of nonfulfillment of the plan for the fund-forming indicators on a cumulative basis from the beginning of the year (quarter, semiannual, first 3 quarters, year) the total size of the material incentive fund (including minimum transfers for the individual quarters) may not exceed the sum total of that fund envisaged for that period in the plan. In this case the total amount of the material incentive fund credited shall be used for the current awarding of bonuses to the collectives of production units (shops) which have fulfilled the plan.

30. The amount of the material incentive fund actually credited to production associations (enterprises) for the year, including transfers to centralized funds of all-union (republic) industrial associations and to the reserves of the ministry for the material incentive fund, must not exceed the total amount of that fund calculated for the ministry as a whole on the basis of the indicators for fulfillment of the ministry plan.

In cases when the total amount of this fund actually credited to production associations (enterprises) for the year, including unused portions of the ministry's reserve for the material incentive fund and of the centralized fund of the all-union (republic) industrial association of the current year, exceeds the total amount of that fund calculated for the ministry as a whole, the ministry shall pay in as revenue to the respective budgets the amount of the excess out of the reserve for the fund, and should that be insufficient, it shall do so out of the next year's reserve for the fund.

If the amount of transfers to the material incentive fund credited to all-union (republic) industrial associations on the basis of indicators assigned them and rates of transfer to that fund is greater than the amount of transfers to the material incentive fund credited to subordinate production associations (enterprises), including transfers to centralized funds of all-union (republic) industrial associations, then the amount short to the centralized funds shall be made up out of the ministry's reserve for that fund.

If on the basis of the performance indicators of all-union (republic) industrial associations as a whole the total amount of transfers to the material incentive fund turns out to be less than the amount transferred to that fund by subordinate production associations (enterprises), including transfers to centralized funds of all-union (republic) industrial associations, then

transfers to those centralized funds shall be reduced by that difference. The amount of the reduction obtained shall be transferred to the ministry's reserve.

The entire amount by which the amount of the material incentive fund credited to production associations (enterprises) exceeds the amount of that fund calculated for the ministry as a whole for the year may be confiscated into the budget from the remainder of the ministry's reserves for the material incentive fund or for the fund for social welfare and cultural programs and housing construction, that is, regardless of which fund the excess pertains to.

If the remainder of the reserve for the material incentive fund is insufficient at the beginning of the year, contributions to the budget shall be made out of transfers to the reserve indicated for the current year. In this case adjustment shall be made in the calculated balance of the ministry's income and expenditures anticipating reduction of transfers to the material incentive fund and an increase in the uncommitted remainder of profit (for ministries, production associations (enterprises) not converted to the new economic conditions) or transfers from profit (for ministries, production associations (enterprises) which have been converted to the new economic conditions).

In these cases ministries shall make contributions to the budget of additional payments from profit on a centralized basis.

### III. Procedure for Formation and Use of the Unified Material Incentive Fund

Production associations (enterprises) converted to the new economic conditions may create a unified material incentive fund.

31. In determining the planned size of the unified material incentive fund for production associations (enterprises), in addition to the resources of the material incentive fund calculated on the basis of the established rates and the fund-forming indicators, the following resources shall be included on the basis of other special bonus systems:

- i. transfers to the material incentive fund for creating, putting into production, and applying new technology by sources of formation established in the financial plan;
- ii. resources for awarding bonuses for promotion of invention and improved efficiency on the basis of the corresponding amount of saving envisaged in the plan;
- iii. other resources envisaged in the plan.

The total amount of the unified material incentive fund envisaged in the annual plan shall be taken into account in calculations of the total wage fund for purposes of determining the standard ratios between the rise of labor productivity and the average wage.

32. Resources intended for the awarding of bonuses under current legislation (except resources in the wage fund and also bonuses envisaged by Point 9 of Decree No 211 of the CPSU Central Committee and USSR Council of Ministers dated 15 March 1977) are also placed in the unified material incentive fund during the year as follows:

- i. for creating, putting into production, and applying new technology, including the output of new products of improved quality bearing the code letter "N" and for transfer of scientific-technical advances;
- ii. for delivery of products for export;
- iii. for production of consumer goods from production waste;
- iv. for conservation of particular types of physical resources;
- v. for collection and sale of production waste for secondary utilization;
- vi. for attainment of rated capacity;
- vii. for activation of construction projects;
- viii. for fulfillment of targets for deliveries of certain products (performance of certain types of work);
- ix. for improvement of product quality.

The resources pertaining to these bonus systems, whose balance as of 1 January 1986 is subject to a 25-percent payment into the state budget, are included in the unified material incentive fund following their transfer.

33. The unified material incentive fund of production associations (enterprises) shall be augmented by transfers of a portion of supplements duly earmarked for the awarding of bonuses to retail prices on new goods of improved quality, and the same fund of production associations (enterprises) in light industry shall be augmented as well by the amounts of additional money accumulation from sale of the first experimental lots of goods and especially fashionable articles at negotiated prices.

The resources of the unified material incentive fund shall be spent on the basis of a budget. The draft of the budget of expenditure of the material incentive fund shall be put up for discussion of the work collective of the production association (enterprise), and after its approval it shall be adopted by joint decision of the management and trade union committee and shall be appended to the collective agreement. The management and trade union committee shall inform the workers and employees about fulfillment of that budget in the intervals envisaged by the collective agreements.

When the budget for expenditure of the unified material incentive fund is drawn up, provision shall be made for it to be used so as to take into account the tasks facing collectives of production associations (enterprises) with

respect to increasing production efficiency, raising the technical level and quality of the product produced, increasing the volume of production and raising labor productivity.

When the budget for expenditure of the unified material incentive fund, including the remainder of the fund from the previous year, is being drawn up, it is recommended that a sizable portion of the resources of that fund be committed to stimulation of efforts to speed up scientific-technical progress, to raise product quality, and to produce products at the present-day technical level.

It is recommended that the resources of the unified material incentive fund be used in the following basic directions:

- a) to award bonuses for fulfillment and overfulfillment of the plan in accordance with the established bonus systems and above all for performance of assignments and obligations related to product deliveries in accordance with contracts concluded;
- b) to award bonuses for high-quality manufacture and punctual shipment of products for export;
- c) to award bonuses to workers for creating, putting into production, and applying new technology;
- d) to award bonuses for increasing the output of consumer goods per ruble of the wage fund;
- e) to award bonuses on the basis of results of intraplant socialist competition and according to the results of reviews and competitions directed toward increasing production efficiency;
- f) to award lump-sum incentives to individual workers for fulfilling especially important production assignments;
- g) to pay awards to workers for overall performance on the basis of results for the year. The procedure for determining the resources for payment of these awards shall be set forth by USSR Gosplan, USSR Minfin, USSR Goskomtrud, and AUCCTU;
- h) to give one-time assistance to workers.

It is recommended that the resources for one-time assistance be distributed among workers and other personnel categories in proportion to the planned wage fund or the number of personnel;

- i) to award bonuses for efforts aimed at raising the scientific-technical level of production and quality of the product produced;
- j) to pay for the regular vacation of workers in a portion corresponding to the share of their wages paid from the material incentive fund and regional coefficients to bonuses paid out of that fund;

- k) to pay bonuses under special bonus and incentive systems for other work achievements;
- l) to pay incentives to workers on the roster who are members of voluntary people's brigades, people's inspectors, and members of voluntary fire brigades.

One-time incentives may be presented both in the form of a money award and also in the form of gifts.

The material incentive fund may be used to award incentives to workers, including workers who are not on the roster of production associations (enterprises) in accordance with special decisions of policymaking bodies or decisions of the Interdepartmental Commission of USSR Gosplan.

Production associations (enterprises) shall be allowed to transfer as much as 5 percent of the resources obtained for producing new products of improved quality bearing the code letter "N" to enterprises which are their subcontractors for additional awarding of incentives to work collectives.

A portion of the resources of the material incentive fund may be transferred to the fund for social welfare and cultural programs and housing construction to be used for housing construction and social welfare and cultural programs.

Production associations (enterprises) may leave at their own disposition a reserve not to exceed 10 percent of the unified material incentive fund. This reserve shall be used for awarding material incentives to the personnel of structural subdivisions in case of a temporary deterioration of their performance indicators for reasons beyond their control and in other unforeseen cases that arise in the course of fulfillment of the current year's plan.

The decision to transfer these resources shall be made by the manager of the production association (enterprise) together with the trade union committee.

The resources of the unified material incentive fund shall be used independently of the sources from which they come in accordance with regulations drafted on the basis of the model statutes on the awarding of bonuses in effect in the branch and approved by managers in agreement with the trade union committee.

Unused portions of the resources of the unified material incentive fund shall not be subject to confiscation, and their use in the following year shall be in accordance with the general procedure and the approved budget governing the fund's use.

#### The Production Development Fund

[First three paragraphs are EKONOMICHESKAYA GAZETA introduction.]

USSR Gosplan and USSR Minfin have adopted the "Temporary Statute on Procedure for Formation and Use of the Production Development Fund by Production Associations (Enterprises) and Organizations." It was drafted by USSR Gosplan and

USSR Minfin in agreement with USSR Stroybank, USSR Gosbank, and AUCCTU in connection with Decree No 669 of the CPSU Central Committee and USSR Council of Ministers dated 12 July 1985 for the purposes of further expansion of the independence of production associations (enterprises) and organizations (Footnote) (Hereafter referred to as "enterprises.") in the planned renewal of fixed productive capital, in raising economic efficiency of existing production and the quality of products by applying new technology and progressive production processes. The text of the statute is published below.

The statute extends to enterprises in industry, transportation, communications, and organizations which are contractors in construction and installation.

USSR ministries (departments) may on the basis of this statute draft and approve, in agreement with USSR Gosplan and USSR Minfin, branchwide statutes reflecting the particular features of activity of the branch in question.

1. Procedure for Determining the Planned Proportions of the Production Development Fund

1. The production development fund shall be created at enterprises from the following sources:

i. deductions from profit at rates established in percentages of it;

ii. resources from depreciation deductions intended for full replacement of fixed capital at rates established in percentages of that portion of depreciation;

iii. proceeds from the sale of retired and superfluous property belonging to fixed capital after deduction of costs related to liquidation of that property, and proceeds from the culling of livestock.

The rates used to build up the production development fund shall be set so as to remain unchanged for the 5-year period and shall be determined as a function of the level of utilization of fixed productive capital and the results of economic performance of enterprises.

The production development fund for the ministry (department) as a whole shall be determined according to the same procedure.

2. The rates used to build up the production development fund shall be broken down to ministry (departments) and enterprises as part of the reference figures before commencement of compilation of the 5-year plan. In the necessary cases the rates may be revised during the drafting of the 5-year plan.

3. The rates used in building up the production development fund shall be set by ministries (departments) at the same time when they approve the 5-year plan for economic and social development of the USSR. These rates shall be established as follows: for USSR ministries (departments) by USSR Gosplan in agreement with USSR Minfin and AUCCTU; for ministries (departments) under republic jurisdiction by councils of ministers of union republics in agreement

with republic trade union committees and subsequent communication of summary data to USSR Gosplan and USSR Minfin.

4. The rates established in the 5-year plan for ministries (departments) and enterprises to be used in building up the production development fund shall not be subject to amendment and reapproval.

5. Ministries (departments) which are not assigned rates for formation of the production development fund shall in 5-year and annual plans be assigned the absolute size of the production development fund. This size shall be determined as follows: for USSR ministries (departments) by USSR Gosplan in agreement with USSR Minfin and AUCCTU; for ministries (departments) under republic jurisdiction by the gosplan of the union republic in agreement with the minfin of the union republic and the republic trade union council.

6. In accordance with the assigned stable rates for formation of the production development fund ministries (departments) shall work out and approve in agreement with the respective trade union committees (councils) rates for formation of the production development fund for subordinate enterprises that will remain in effect for the 5-year period (with a breakdown by years).

The rate for formation of the production development fund from deductions from profit which has been assigned the ministry (department) in the 5-year plan shall be uniform for all enterprises of the ministry (department) operating on the basis of a planned profit.

The rate for formation of the production development fund built up from depreciation earmarked for full replacement of fixed capital which has been assigned the ministry (department) in the 5-year plan (with a breakdown by years) may be differentiated by that ministry (department) from one subordinate enterprise to another depending on the assignments envisaged by the plan for retooling and reconstruction of production so as to take into account the level of utilization of fixed productive capital they have achieved, the degree of wear of capital assets, or other indicators characterizing the condition of the fixed productive capital of the enterprises.

7. Ministries (departments) which have in 5-year and annual plans been assigned the absolute size of the production development fund shall within the limits of that amount work out and establish in agreement with the respective trade union committees (councils) rates for formation of the production development fund and the absolute size of that fund for subordinate enterprises which shall remain unchanged for the 5-year period (with a breakdown by years).

8. The absolute size of the production development fund of ministries (departments) and enterprises shall be determined in the 5-year plan (with the breakdown by years) by computation.

9. In financial plans for the coming year ministries (departments) and enterprises shall determine (in a breakdown by years) the absolute size of the production development fund calculated by multiplying the value of each of the proportions of fund-forming indicators envisaged in the annual plan by the

corresponding standard rate. The absolute planned proportion shall also include proceeds from the sale of retired and superfluous property.

10. Distribution of the absolute amount of the production development fund in the annual plan by quarters shall be in proportion to the quarterly distribution of the fund-forming indicators and the amounts of proceeds from sale of retired and superfluous property.

11. Managers of enterprises may redistribute between the production development fund and the unified fund for development of science and technology the resources of those funds placed at their disposition.

## 2. Procedure Whereby Enterprises Transfer Resources to the Production Development Fund During the Year

12. The size of transfers to the production development fund shall be determined by multiplying the respective standard rates by the actual amount of profit obtained and the actual computed amount of depreciation earmarked for full replacement of fixed capital.

13. Transfers to the production development fund from profit and depreciation earmarked for full replacement of fixed capital shall be made by enterprises quarterly on a cumulative basis (for the quarter, semiannual, the first 3 quarters, the year). Transfers made previously shall be deducted.

A sample calculation of the production development fund is appended to the present statute.

14. For purposes of determining actual transfers to the production development fund, the total amount of profit and depreciation earmarked for full replacement of fixed capital from all types of activity shall be included.

At the same time enterprises shall exclude from the actual profit used to determine transfers to the production development fund profit not taken into account in the plan and also profit used or confiscated into the budget under special procedure.

15. In determining actual transfers to the production development fund consideration shall also be given to the following transfers to that fund:

i. a portion of resources the enterprise obtains from other enterprises using its scientific and technical developments (documentation);

ii. a portion of additional profit (total amount of supplements to wholesale prices) enterprises obtain from the sale of highly effective new products for production and technical purposes and products bearing the state Quality Emblem;

iii. the portion of additional profit remaining at the disposition of the enterprise from the sale of experimental lots of consumer goods and especially fashionable products;

iv. a portion of resources obtained by contractors for activation of production capacities earlier than the standard time allowed;

v. resources made available at enterprises in connection with applying the value of fixed assets which have been liquidated before full depreciation to the results of economic activity;

vi. and other transfers envisaged by current legislation.

3. Procedure Governing Use of the Resources of the Production Development Fund by Enterprises (Footnote) (The established procedure governing use of the resources of the production development fund shall be retained for enterprises which have not been converted to the new economic conditions.)

16. The resources of the production development fund shall be used by enterprises independently. Ministries (departments) must guarantee unwavering observance of the rights granted enterprises with respect to use of the resources of the production development fund.

17. The resources of the production development fund shall be used in accordance with a budget. The draft of the budget for expenditure shall be submitted for discussion of the work collective of the enterprise, and following its approval it shall be adopted by joint decision of the management and trade union committee and appended to the collective agreement. The management and trade union committee shall inform the workers and employees about fulfillment of that budget at intervals envisaged by the collective agreement.

18. The resources of the production development fund, including resources of that fund not used in the past year, may be committed to the following purposes:

a) to finance outlays for retooling and reconstruction of existing enterprises and production operations.

Guidance in defining measures for retooling and reconstruction of production should be taken from Letters of USSR Gosplan, USSR Gosstroy, USSR Stroybank, and USSR CSA No NB-36-D/23-D/144/6-14 dated 8 May 1984 and entitled "On Definition of the Terms New Construction, Expansion, Reconstruction, and Retooling of Existing Enterprises" and No LB-52-D/68-D/342/6-14 dated 25 October 1985 and entitled "On Procedure for Planning and Keeping Records of Work Items and Costs Pertaining to Reconstruction and Made Under Projects for Expansion of Existing Enterprises," as well as by sectorwide and branchwide methods instructions on the makeup of work items and costs pertaining to the various categories in the breakdown of capital investments by purpose in reproduction.

It should be borne in mind in this connection that in certain cases, when implementation of measures for retooling production require, enterprises have the right to use resources from the production development fund for expansion or for new construction of the following:

i. projects for plantwide and auxiliary purposes (warehouses, boiler plants, compressor stations, power substations, utility mains, projects for natural conservation, and other projects, as well as for reconstruction of facilities for employee welfare in the workplace);

ii. production areas in cases when the equipment acquired as a replacement does not fit within the dimensions of existing buildings.

Plans for retooling which is to be financed with resources from the production development fund shall be drafted and approved by enterprises. Plans for retooling shall first of all include measures that guarantee a faster pace of replacement of outdated productive capital and performance of work items on a very tight schedule. Simple replacement of equipment must not be allowed to pass for retooling.

An interrelated set of work items (volume of work) related to attainment of final results as determined by indicators established in the Instructions on Methods for Drafting the Plans for Retooling Existing Production Associations (Combines) and Enterprises, approved under Decree No 63 of USSR Gosplan on 23 March 1984, which has been envisaged by the plan for retooling, shall qualify as a retooling measure. The final results indicated must be stated in the document of acceptance for operation;

b) for outlays to prepare production of new technology and application of progressive manufacturing processes;

c) to carry out measures to eliminate bottlenecks in the principal and auxiliary production operations (to raise product quality, to raise labor productivity, and to reduce production costs;

d) to organize and develop subsidiary agriculture. As much as 10 percent of the resources of this fund may be committed to these purposes. Agricultural machines, machinery, and productive livestock may be acquired with these resources, necessary construction and installation work may be done to the extent envisaged by the advance estimate of outlays for those purposes, and poultry and seed stocks may also be acquired;

e) to build and expand capacities for the production of consumer goods and to render services to the public;

f) to repay bank credits extended to enterprises which under current legislation are repaid out of resources of the production development fund, and also to pay interest on such credits.

19. The resources of the production development fund may be used to reimburse costs related to obtaining in the established manner project planning documentation (developments) from other enterprises for reuse and to offer assistance in its use.

20. Project plans and estimates and title lists for retooling to be financed from the production development fund and bank credit shall be drafted independently by enterprises and approved by their managers.

If necessary, project plans and estimates shall be prepared by project planning organizations within the limits of the allowance for project planning and survey work on the basis of assignments approved by enterprise managers.

21. The resources of the production development fund which enterprises commit to capital construction shall be furnished in the full amount and on a priority basis by ministries (departments) in the allowances (limits) established for capital investments, construction and installation work, contract work, project planning and survey work in the proportions which enterprises submit to the ministries (departments) for entering in the records when the drafts of plans are being prepared.

22. Beginning in 1987 the supply of materials and equipment (with the exception of directory [imennikovyy] and imported equipment) for projects carried out by the direct-labor method and financed with resources from the production development fund and bank credit shall be done directly by regional agencies of USSR Gosnab on orders from enterprises in accordance with the project plans.

23. Enterprises shall be supplied directory and imported equipment and also supplies and equipment for projects carried out by contractors and financed with resources from the production development fund and bank credit in accordance with the procedure established by Point 21 of Decree No 387 of the CPSU Central Committee and USSR Council of Ministers dated 29 April 1984.

24. Councils of ministers of union and autonomous republics and ispolkoms of Soviets of People's Deputies shall allocate on a priority basis local construction materials and articles made from those materials to enterprises on their orders in order to perform projects by the direct-labor method financed with the enterprises' own resources and bank credit.

25. In order to finance measures for retooling with resources of the production development fund enterprises shall submit to bank establishments the excerpt from the plan for retooling for the year being planned and the cost estimates adopted for various types of work items and outlays, and if credit is being obtained, they shall also submit calculations of the economic effectiveness of the measures being planned.

26. In order to acquire new and more productive equipment instead of worn-out equipment with resources from the production development fund, enterprises shall submit to the bank establishment only the list of such equipment along with the estimated cost of outlays to install it without preparing project plans for retooling. This equipment shall be acquired up to the limits of the balance in the enterprise's account in which it keeps the resources of the production development fund.

27. Should the resources of the production development fund be insufficient, enterprises may use credits of USSR Gosbank and USSR Stroybank extended to them within the limits of the plan for long-term credit financing for the following purposes:

- i. for planned outlays related to performance of measures for retooling and reconstruction provided the payoff period for the capital investments is within the limits of the average branch standard;
- ii. to carry out highly effective measures for retooling (which have become necessary in the course of plan fulfillment) over and above the allowance for state capital investments provided the payoff period of the outlays (taking into account the specific features of branches) is less than 5 years.

Bank credit shall be repaid with resources of the production development fund or from the actual profit left at the disposition of enterprises.

28. The resources of the production development fund shall not be subject to confiscation from enterprises, and they may build them up in order to carry out necessary measures in subsequent planning periods.

Temporarily uncommitted resources of this fund shall be used by the banks as resources to extend credit for retooling and reconstruction of production.

Bank establishments shall pay interest at the rate of 0.5 percent per annum for use of resources of the production development fund of enterprises.

29. The resources of the production development fund which enterprises have not included in the volume of noncentralized capital investments taken into account by ministries (departments) in preparing drafts of plans for capital construction and also above-plan transfers and resources additionally committed to the production development fund in accordance with particular decrees of the USSR Government may be spent over and above the volume of noncentralized capital investments envisaged in the plan for capital construction to carry out measures for retooling and for other purposes defined by the present statute, provided the physical resources necessary for the purpose are sought out.

In this case the ministry (department) has the right to assign to enterprises an additional number of workers engaged in construction and installation work and standard proportions of wages to carry out projects which they are financing with the resources of the production development fund over and above the volume of noncentralized capital investments taken into account in the plan for capital construction.

30. The resources of the production development fund shall be kept in separate accounts in establishments of USSR Gosbank or USSR Stroybank. Moreover, the accounts of enterprises in which resources of the production development fund are kept according to the established procedure must be in that bank where appropriations and credit to finance their planned capital constructions are handled.

The transfer of resources of the production development fund from current accounts to the individual accounts shall be made on the 10th, the 20th, and the 28th of every month in the amount of one-ninth of the planned amount for the respective quarter. At the end of the quarter recalculation shall be made

according to the transfers actually made to the fund. Deficiencies shall be paid into the separate account along with the next regular payment, and any excessive transfers shall be deducted from subsequent payments into the account.

For branches whose production is seasonal in nature, the proportions and intervals for planned contributions of depreciation and transfers of profit into the production development fund within quarters shall be established by ministries (departments) in agreement with USSR Gosbank or USSR Stroybank.

For enterprises which have negligible transfers into the production development fund, the transfer of resources of the production development fund from current accounts to individual accounts may be made once a month no later than the 28th or once a quarter no later than the 28th of the last month of the quarter. This schedule for the transfer of resources shall be established by bank establishments in agreement with the enterprises.

31. The punctual opening of individual accounts and the transfer of resources to them and also fulfillment of plans for capital investments financed with resources of the production development fund, use of resources of the fund for the stated purpose, punctuality of activation of fixed capital and capacities, and economical expenditure of the resources of the fund shall be monitored by the higher-level organizations as well as by the bank establishment doing the financing.

32. This statute shall take effect as of 1 January 1986. Instruction No 68 of USSR Minfin, USSR Gosplan, USSR Gossnab, and USSR Stroybank dated 4 April 1980 shall cease to be valid as of 1 January 1986.

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## GENERAL

### ADVANCES IN STATE INSURANCE BENEFITS NOTED

Moscow DENG I KREDIT in Russian No 1, Jan 86 pp 23-30

[Article by L. A. Motylev, doctor of economic sciences; chief, Main Administration, USSR Gosstrakh [Main Administration for State Insurance]: "State Insurance in the Present Stage." For more information on this subject, see JPRS USSR REPORT: HUMAN RESOURCES, JPRS-UHR-86-004, 14 Feb 86 pp 52-57]

[Text] One of the most important tasks of insurance agencies at the present time is to implement the demands of the Comprehensive Program for the Development of Consumer Goods Production and the Service Sphere in 1986-2000 pertaining to the improvement of existing and the introduction of new types of personal and property insurance that meet the citizens' needs. The draft of the Basic Directions of Economic and Social Development in the USSR in 1986-1990 and the Period up to the Year 2000 calls for the development of state personal and property insurance. Accordingly, the 12th Five-Year Plan provides for the considerable development of existing and the introduction of new types of insurance and for the improvement of the forms and methods of organization of the nation's insurance activity.

Insurance payments under the 11th Five-Year Plan should total approximately 70 billion rubles, including more than 42 billion rubles in the form of voluntary personal insurance. By the end of 1985, the number of voluntary insurance contracts of all types in effect should total about 183 million or 2.3 contracts per family.

The results for 1981-84 and 10 months of 1985 show that Gosstrakh is fulfilling the indicated 11th Five-Year Plan quotas. During this time, all union republics successfully fulfilled their annual and quarterly quotas. The five-year plan tally on 1 November 1985 was 67.4 billion rubles, including 40.7 billion rubles for voluntary personal insurance alone. As of 1 October 1985, 182 million personal and property insurance contracts had been concluded with citizens.

In addition to rising payments of personal and property insurance benefits to citizens (during the 10th Five-Year Plan, benefits totaled 20.2 billion rubles or 2.6 times more than during the 9th Five-Year Plan; during 1981-84 and 9 months of 1985--29.1 billion rubles), insurance is playing an

increasingly prominent role in the mobilization of resources for the development of the national economy.

The basic types of personal and property insurance that are popular among the population are: mixed life insurance, accident insurance, children's insurance, marriage insurance, various kinds of insurance of structures, household property, privately owned means of transport, and a number of others.

As a result of the particulars surrounding the formation of the insurance fund and the conclusion of long-term contracts, there form considerable reserves for future payments, which Gosbank uses as loan funds. The share of these loan funds is steadily growing.

Thus, the nation's insurance system protects the well-being of the working people against various kinds of negative contingencies (long-term impairment of health, disability due to accident, loss of property, etc.) on a mass scale on the one hand and by virtue of the specifics underlying the formation of the insurance fund has a positive impact on the nation's monetary circulation and on mobilizing additional sources of loan funds for the development of the national economy on the other.

It should be noted that the population's monetary investment in insurance is growing from one year to the next and is not subject to sharp fluctuations. Its growth has been especially rapid starting in 1968.

Between 1968 and 1985, receipts from the population in the form of insurance premiums increased from 0.8 billion to 9.1 billion rubles. During this time, average annual per family spending on voluntary insurance alone rose from 13.7 to 117.1 rubles.

The cited data attest to the considerable continuous growth of spending on personal and property insurance in the family budget. At the same time, Gosstrakh also has the increasing potential to assisting citizens in the event of adversity.

In view of the growing socioeconomic significance that state property and personal insurance hold for Soviet people, on 30 August 1984 the USSR Council of Ministers adopted the decree "On Measures for the Further Development of State Insurance and on Improving the Work of Insurance Agencies. In fulfillment of this decree, the development of state insurance takes the form of broad insurance coverage for all groups of the population, of improving the work of insurance agencies and improving the quality of service to the working people. A comprehensive program of measures has been devised to satisfy more completely the Soviet people's needs for various kinds of insurance.

From the state's point of view, it is very important that the rise of the socioeconomic significance of state personal and property insurance for satisfying the citizens' insurance needs is accompanied by the increase in reserve funds in the future that are temporarily used as loan funds to develop the nation's economy.

State insurance funds will increase in connection with the growth of insurance premiums, the number of contracts for existing types of voluntary insurance and as a result of the expansion of the circle of insurants and the introduction of new types of insurance that are most in keeping with the population's interests.

Given the manpower shortage, the further development of all types of state insurance will require the broad introduction and effective use of a computerized system for the management of state insurance.

Of the new directions in the development of insurance, the following types are of the greatest interest.

As is known, working people in the USSR receive state pensions without any contributions on their part whatsoever. State budget spending in this area grows every year not only in connection with the increase in the number of pensioners, but also with the increase in the size of pensions in accordance with the decisions of the party and the government.

The intensive increase in the number of privately owned vehicles and the increase in the amount of damage (harm) arising from their operation create prerequisites for the introduction of mandatory liability insurance for car and motorcycle owners since the property interests of accident victims and the interests of owners of private vehicles can be secured only as a result of their civil liability insurance for the causation of harm. Insurance of this type also results in the formation of sizable reserve funds.

In the future, in addition to universal types of property and personal insurance for the entire population, there will evidently be a need for special types of insurance designed to satisfy various social, national and demographic needs of citizens. Scientific research in depth will unquestionably be required to implement these proposals. The balance of the population's money incomes and expenditures can provide a certain amount of assistance in this area.

Much attention in the work of insurance agencies is devoted to agricultural insurance. The property of 60,000 kolkhozes and sovkhozes is presently insured. Property insurance for all types of property owned by agricultural enterprises totals more than 405 billion rubles. In 4 years of the 11th Five-Year Plan alone, insurance funds paid approximately 16 billion rubles to kolkhozes and sovkhozes suffering the effects of natural disasters. This is an especially clear manifestation of the economic essence of insurance, its important function in the redistribution of a certain share of the national income and its influence on the planned development of agriculture and on promoting the economic stability of kolkhozes and sovkhozes.

In addition to paying insurance benefits, Gosstrakh agencies actively assist in the detection and elimination of mismanagement, inaccuracies in the reporting of the gross harvest in accounting documents, exaggerations of the book value of property and other violations. They have the obligation to report all negative facts of this type to executive, agricultural, and other agencies so that they may take appropriate action.

In order to solve the problems that confront insurance agencies, an effort is under way to further strengthen planning and performance discipline in all links of the insurance system, to promote rhythm in the work, and to eliminate the lag of individual Gosstrakh inspectorates in the development of voluntary types of insurance.

In order to interest insurance personnel in adopting intensive plans and to develop their initiative in fulfilling and overfulfilling plan targets, starting with the second quarter of 1984, a number of state insurance agencies in the RSFSR, Ukrainian SSR, Belorussian SSR, and insurance agencies in the Latvian SSR are experimentally establishing stable quarterly plans for the receipt of payments in accordance with the quarterly breakdown of the year plan. Starting 1 January 1985, this experience will be disseminated to all insurance agencies in the Belorussian SSR and the Tajik SSR and to certain oblasts in the RSFSR and the Ukrainian SSR. The results of 9 months' work under the terms of the experiment are on the whole positive. Compared with 1983, in most insurance agencies there has been an increase in the number of voluntary insurance contracts; the number of Gosstrakh inspectorates and insurance agent brigades who properly fulfill quarterly payment plans has also increased. The task is to implement the experiment everywhere in 1986.

Gosstrakh inspectorates have introduced a new planning indicator--the coefficient of reserve utilization, which makes it possible to take into account more fully the potential for the development of insurance both by concluding new contracts and by raising the insurance premiums.

The development of insurance, its popularity among the population and the further enhancement of its socioeconomic content depend directly on the expansion of the volume of insurance liability. A major effort was carried out to this end under the 11th Five-Year Plan.

According to a procedure initiated on 1 January 1983, Gosstrakh payments for destruction of and damage to structures belonging to the working people increase 2.5-fold on the average. In accordance with this procedure, there is a considerable expansion of the list of events for which Gosstrakh bears responsibility. At the same time, the population's premiums have virtually not increased.

The new Ukase of the Presidium of the USSR Supreme Soviet "On Compulsory State Insurance for Air, Rail, Sea, Inland Waterway, and Motor Transport Passengers," which took effect on 1 January 1983, raises benefits from 300 to 1000 rubles, without changes in insurance premiums, thereby making it possible to increase material aid to aggrieved passengers and their families.

Decrees of the USSR Council of Ministers "On Voluntary State Insurance of Property Belonging to Citizens" and "On Voluntary State Private Insurance" were adopted in 1982 since the decrees that were previously in effect did not entirely meet the current requirements and needs of the working people.

The new rules that were promulgated in accordance with these documents substantially expanded Gosstrakh's responsibility: sharply curtailed the list

of medical counterindications of eligibility for insurance and expanded Gosstrakh's property insurance liability. Practically speaking, Gosstrakh refuses to pay compensation only in the event of deliberate, unlawful actions by insurants.

Taking into account the accumulated experience and the wishes of the working people, the procedure for organizing and conducting medical insurance examinations has been improved. Provision is made for the payment of higher benefits to insurants who become totally disabled.

Steps that are taken to implement the indicated measures to expand the volume of insurance liability are unquestionably raising the socioeconomic significance of insurance to the population and to the state.

The structure of insurance agencies is being improved to ensure the greatest possible degree of convenience of insurants, to bring insurance agencies as close as possible to the population, and to secure the more complete utilization of the potential for the development of all types of state insurance--in addition to rayon inspectorates, sectoral state insurance inspectorates are being established under large enterprises and in individual population centers. They already number approximately 1400.

The noncash payment of insurance premium to the accounting department of enterprises, institutions, organizations, sovkhozes and kolkhozes has become common practice. This form of payment has considerably simplified transactions between citizens and Gosstrakh agencies, promotes the increased oversight over the integrity of state resources and makes it possible to reduce the cost of insurance operations. With the introduction of noncash transactions, the costs of Gosstrakh agencies as a whole declined from 11.7 to 7.8 percent.

At the same time, the materials of audits and checks attest to the serious shortcomings and omissions that continue to exist in the service provided to the population by a number of insurance agencies. Some inspectorates do not conclude insurance contracts in good time, receive premium payments sporadically, and withhold the payment of insurance benefits and insurance compensation. Insurants are still treated rudely on occasion; medical insurance examinations to determine the degree of disability are not always conducted at the proper level.

The noted shortcomings stem from the fact that some heads of insurance agencies devote little attention to work style and methods, to the organization of work in every workplace, and do not show proper concern for the development of socialist competition, for the broad dissemination of progressive knowhow. There are attempts [by Gosstrakh agencies] to attribute their blunders in the organization of labor, in planning and in educational work due to various kinds of "objective" difficulties and to absolve themselves of responsibility for the state of affairs in the collectives headed by them.

Gosstrakh agencies have now established close ties with the USSR Gostrudsberkass [State Labor Savings Bank] system. The mass organization work

of the insurance agencies is directed toward seeing to it that personal and property insurance benefits due citizens be paid by depositing this money to citizens' [savings] accounts. Gosstrakh advertising convincingly emphasizes the advantages of this type of personal account. On the one hand, this makes it possible to offer certain conveniences to the insurants, and on the other hand, as shown by the findings of sociological research, one fifth of the insurants leave their insurance benefits in their savings account. These indicators would be much higher if Gosstrakh advertised in the Gostrudsberkass system. It would be possible to establish insurance corners in savings banks that could not only advertise in vivid, comprehensible language Gosstrakh's services to the population, but that could also orient the insurants toward obtaining insurance benefits on the basis of their savings books.

If we think about the future, it is entirely logical to unify the efforts of Gostrudsberkass and Gosstrakh in the mobilization of the population's temporarily free money through the organization of the production of advertising films and printed advertising.

In the interest of securing the further development of voluntary types of insurance among the population and of fulfilling quotas for the receipt of premiums without increasing the number of agents by increasing the productivity of their labor and their material interest in Gosstrakh agencies in the Tatar ASSR, Krasnoyarsk Kray, Vladimir, Dnepropetrovsk, Ivanovo, Kaluga, and Kirov oblasts and individual rayons in Moscow and Leningrad, a new wage and bonus system was instituted experimentally on 1 October 1982. All of the nation's insurance agencies were converted to the new wage terms on 1 April 1985.

The brigade form of labor was widely incorporated in the work of insurance agencies. Approximately 84 percent of the insurance agents are now working on the basis of the brigade method and are paid on the basis of the end result.

With the consent of the Central Committee of the Trade Union of State Institution Workers Union, the Main Administration drafted and approved the Statute on the Brigade of Free-Lance Insurance Agents, the Brigade Leader, the Brigade Council and the Brigade Leaders' Council, which clearly defined their rights and obligations.

The application of the coefficient of labor participation (KTU) in the distribution of brigade earnings promotes the development of the creative initiative of workers, their labor productivity, the fulfillment of plans for the fulfillment of quotas for the collection of insurance premiums with a smaller number [of agents], and improvement of the quality of service to the population. In the period of preparation for converting insurance agents to the new wage conditions alone, their number throughout the entire system declined by 2050 persons. The fulfillment of the third quarter plan for voluntary types of insurance among the population was 0.5 point higher on 1 November 1985 compared with the corresponding period in 1984.

One of the most important directions of improvement of management of state insurance in the present stage is the development of a computerized system,

that is, management based on mathematical-economic methods, computers and data transfer (ASU[computerized management system]-Gosstrakh).

The purpose of developing "ASU-Gosstrakh" is to secure such a level of management of the activity of state insurance agencies that will ensure the attainment of optimal indicators in the development of all types of property and personal insurance and will secure considerable improvement of service to the population.

"ASU-Gosstrakh" is the aggregate of the ASUs of state insurance main administrations and administrations (in accordance with the administrative-territorial divisions of the USSR) and the ASUs of inspectorates (organs directly engaged in state insurance operations). It encompasses all insurance operations and on the basis of computer-assisted analysis makes optimal decisions at all levels of management while simultaneously observing the principle of centralized control.

With the aid of the indicated system, it is possible to identify reserves for the further development of all types of insurance, to secure qualitative improvement in the planning of insurance operations, to analyze the work of insurance agencies thoroughly, and to oversee their activity more closely.

Computers make it possible to use mathematical-economic methods to process and issue systematized information on each type of insurance; in the case of life insurance--on every contract; to calculate the payment of benefits under voluntary life insurance contracts together with the corresponding computergrams; to calculate payments pertaining to the mandatory insurance of the property of kolkhozes, sovkhozes and citizens.

The computerized processing of insurance information is instrumental in overseeing the prompt, complete collection of premiums and the work of insurance agents and performs certain other jobs that relieve insurance personnel of routine work.

Electronic and punch-card equipment are used to process data of 2123 inspectorates of 2123 inspectorates of all union republics, which comprise 36.1 percent of their total number, including 1336 inspectorates or 22.7 percent that use high-speed computers.

The number of personal life insurance accounts processed by computer totaled 28.8 million or 39.1 percent.

Considering the significant economic effect that results from the introduction of computers for the development of insurance and above all the improvements in the service of insureds the USSR Ministry of Finance, the Main Computer Center, and the Main Administration of USSR Gosstrakh will step up the tempo of this work at the local level and especially in large cities. The experience of using computers to process data in the Gosstrudsberkass system and the possibility of using this experience in our practical work is of definite interest in this regard.

Gosstrakh agencies must devote much attention to the integrity of resources, to improving accounting and to strengthening the oversight-auditing apparatus. A considerable amount of work is being done in this direction.

Based on the decisions of the 26th CPSU Congress and the decree of the USSR Council of Ministers "On Measures to Improve the Organization of Accounting and to Raise Its Role in the Rational and Economical Utilization of Material, Labor and Financial Resources," a new system of accounting has been introduced in state insurance agencies for the purpose of improving the quality of recordkeeping and accounting. The system is designed to secure the considerable improvement of recordkeeping and the integrity of state resources in all links of insurance agencies applicable to current demands. Considering the fact that the new accounting and recordkeeping procedure makes higher demands on personnel in the accounting apparatus, a complex of measures is being implemented to retrain the entire accounting apparatus, to raise the role and responsibility of accountants for the expenditure and integrity of material and financial resources.

The strengthening of planning discipline, the establishment of rhythm in the work, the elimination of the lag of individual insurance agencies in the development of voluntary types of insurance are major reserves for development. Thus, as a result of the unsatisfactory work of a number of Gosstrakh inspectorates, a number of insurance agencies in the Kazakh, Azerbaijan, Georgian, and other union republics failed to fulfill the plan for voluntary types of insurance among the population. The result was a shortfall of approximately 2.0 million rubles in insurance premiums.

The raising of the level of development of insurance in those republics that lag behind the average indicators for the nation is also an important reserve. While on 1 October 1985, 57.4 percent of all blue-collar, white-collar and able-bodied kolkhoz workers throughout the USSR as a whole had mixed life insurance contracts, the corresponding number in the Turkmen SSR was 17.6 percent; Uzbek SSR--27.0; Georgian SSR--25.5 percent; Tajik SSR--21.2 percent; and Azerbaijan SSR--23.4 percent.

Raising the size of the average insurance premium, which continues to be low in some republics, is a considerable reserve for the development of insurance.

The public must become more widely involved in the development of state insurance. At the present time, there are 155,700 Gosstrakh assistance councils that unite 678,000 social activists [aktivisty-obshchestvenniki]. The time has come to regulate the activity of these councils along the lines of the AUCCTU [All-Union Central Council of Trade Unions]. It would also be well to revise the 1960 decree adopted by the Secretariat of the VTsSPS "On the Participation of Trade Union Organizations in Work Relating to Voluntary Life and Property Insurance for Blue and White-Collar Workers" and to adopt a decree on the development of insurance in the nation in accordance with the tasks articulated in the Basic Directions of Economic and Social Development of the USSR.

The creation of a businesslike atmosphere of high responsibility for the assigned task, the implementation of measures for strengthening labor discipline and the improvement of the selection and economic training of cadres are an important guarantee of the successful implementation of plans confronting the insurance system under the 11th Five-Year Plan and in the future.

Every year, more than 12,000 executives and specialists are retrained in VUZ faculties and in advanced training courses. More than 13,000 persons attend short courses and conference-seminars; over 1300 persons are completing evening and correspondence VUZs and technicums. There is an ongoing effort to train cadres associated with the introduction of the automated processing of insurance information and to train free-lance insurance agents. Every year, approximately 60,000 insurance agents participate in one or another type of training.

Much attention is devoted to working with young cadres, to motivating them to master a specialty in a short time, to upgrade their professional skills, and to participate in the activities of the collective. Every year, there is improvement in the staffing and qualitative structure of scheduled positions and a reduction in their turnover, which has a positive impact on the work of collectives.

There is every reason to believe that the objectives of the development of insurance and the obligations adopted by the insurance system in honor of the 27th CPSU Congress will be fulfilled.

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